

Colombia Quake Toll Reaches 700 Amid Fears It Will Top 2,000

Local volunteers picking through the debris of collapsed homes on Wednesday in Armenia, a city of 300,000 in the coffee-growing region of western Colombia that was struck hard by an earthquake on Monday. Officials say that tens of thousands have been left homeless by the tremor, which lasted only 18 seconds but registered 6.3 on the Richter scale. Page 3.

## Jakarta Suggests a Free East Timor

### Possibility Raised for Territory Indonesia Invaded 24 Years Ago



By Michael Richardson International Herald Tribune.

SINGAPORE' - Indonesia said Wednesday that it was prepared to consider giv-ing independence to East Timor — the first time officials have acknowledged such an option since Indonesian forces invaded the former Portuguese colony 24 years ago.

In a related move that appeared to show growing flexibility in Jakarta's negotiating position, Indonesian authorities also said that Xanana Guemao, the imprisoned East

released so that he could join negotiations on ation of East Timor as an Indonesian

Jailed in 1992 for 20 years for leading East .. Timorese guerrillas fighting Indonesian con- of Indonesia's cabinet - Foreign Minister Xanana Gusmao, guerrilla trol, Mr. Gusmao is widely seen as a leader chief seeking independence. who can help calm tensions in East Timor.

In the midst of the worst recession in a generation, Indonesian soldiers and police are struggling to contain the religious, ethnic and political violence that has wracked the nation since riots in Jakarta in May ended President Suharto's 32-year authoritarian rule.

His successor, President B.J. Habibie, has tried to restore respect for the government by pledging to improve human rights and implement political reforms, including the granting of wide-ranging autonomy to East

position, Indonesian authorities also said. Timor, that Xanana Gusmao, the imprisoned East Timorese resistance leader, would be moved. Timor have been between Indonesia and to de facto house arrest.

This follows receast calls by Koff Anana, described and rivery despite Indonesia's invasion in some governments for the Cusmao for be. December 1975 and the formal incorporationals for the Cusmao for be. EDATICE TALO.

But in separate comments, two members

See TIMOR, Page 4

## U.S. Pursues United Stand on Milosevic

### Goal Is to Get Allies to Demand Autonomy for Kosovo or Resort to Force

By Joseph Fitchett International Herald Tribune

PARIS - The Clinton administration sought Wednesday to orchestrate Western pressure on the Yugoslav leader, Slobodan Milosevic, to make politand military concessions in

Officials said that Secretary of State Madeleine Albright would not attend a meeting with European foreign ministers unless they promised to demand Serbian recognition of autonomy for the province, and to back up the demand

with the threat of NATO force. Today has been a good day; we've got much more linkage in the Western positions and I hope, even expect, that we'll have an agreement today," an ambassador to NATO said by telephone from the organization's headquarters as consultations continued about the terms

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possibility of air strikes.
"I'm reasonably optimistic today, and frankly I wasn't yesterday, that we can come together in a way that mobilizes NATO and the other key international groups," the ambassador

Mrs. Albright, traveling now in the Middle East, has been negotiating by telephone with her European counter-

parts in the contact group.

The NATO ambassador's comments underlined the friction in recent days with the European allies as the Clinton

of a final warning to Belgrade about the administration has urged NATO to issue a new ultimatum threatening force unless Belgrade makes broad concessions, a package dubbed 'compliance plus' because it goes beyond the terms of the U.S.-brokered deal in October that aver-

> A Western consensus appeared within reach, the ambassador and other officials said, in which a renewed threat of military action would come from NATO while the new political approach was formulated by the six countries

> > See KOSOVO, Page 6

# Partisan Vote on Clinton Seems to Assure Acquittal

Move to Dismiss Fails, but Only One Democrat Defects

By Brian Knowlton International Herald Tribone

WASHINGTON — The Senate voted Wednesday to take testimony from potential witnesses in the impeachment trial of President Bill Clin-ton, and it defeated a motion to dismiss the case, but the vote margins allowed the White House and Democrats to proclaim that the votes for conviction did not exist and that it was "now time to end this trial.

All but one of the 45 Democrats voted for dismissal; the same 44 voted against

While the Republican majority succeeded in keeping the trial alive, Democrats said it was now clear that the 67

Republicans sought middle ground.

• A puzzling witness list. Page 3.

votes required to remove Mr. Clinton from office would not be mustered. 'The president will not be removed from office," said Senator Tom Daschle,

the minority leader. "It is now time to

end this trial. It is time to move on." Gregory Craig, a member of Mr. Clinton's defense team, echoed Mr. Daschle's comment, saying it was clear that "the votes are not there to convict and remove the president from office." To continue the trial now, he said, would mean delay that would "run counter to the best interests of the Con-

gress, the president and the American people." He called for a 'fair, speedy and bipartisan" end to the trial. Mr. Daschle's suggestion that an end was nearing to the national trauma over

Monica Lewinsky appeared premature, but momentum continued to grow for bringing the trial to a quick end.

Even as the votes underscored the enduring partisan split over impeachment, members of both parties were working intensely outside the Senate chamber on a Republican plan to impose an accelerated timetable on the historic trial and bring it to an end as early as next week. Democrats offered their own plan

their own plan.

Mr. Daschle, who was to meet with his Republican counterpart, Senator Trent Lott of Mississippi, predicted that

a compromise would be reached.

Meanwhile, the Senate is largely in uncharted waters. The votes Wednesday were the last act agreed on Jan. 8, when the two parties reached an unexpected accord on a framework for the trial. Both votes Wednesday were 56 to 44,

with one Democrat, Senator Russell Feingold of Wisconsin, joining the 55 Republicans each time. Mr. Feingold, a liberal senator viewed as something of a maverick, has expressed concerns about parts of Mr. Clinton'a defense.

The outcome of the two votes was as expected, though a handful of Republican senators had publicly wavered on the witness question. They apparently returned to the party fold after House Republican managers agreed to depose only three witnesses — Ms. Lewinsky, the Clinton confidant Vernon Jordan Jr., and Sidney Blumenthal, a White House

Even before the Senate vote, the White House castigated the decision to

See CLINTON, Page 6

## Republican Leader Seeks A Graceful Way to Punish

By David E. Rosenbaum

WASHINGTON - Searching for a graceful ending to the impeachment tri-Senator Trent Lott, the Republican leader, has named a six-senator working group to examine how the Senate could vote to express its view that President Bill Clinton committed perjury and obstructed justice without removing him

Mr. Lott's problem is one of numbers: A majority of senators — most Republicans and possibly some Democrats believe that the president committed the offenses described in the articles of imeachment, and they do not want to end the trial with only a vote to acquit. But far fewer than the two-thirds of senators required by the constitution are prepared

to vote the president out of office. In addition, opinion polls show that most people agree that Mr. Clinton is culpable but do not want him expelled

from office. The latest device under consideration would be a preliminary vote on "find-ings of fact," in which senators could affirm the truth of the charges in the articles of impeachment. Presumably a majority would vote in favor. removing the president from office. Presumably it would fail for lack of a two-

thirds majority. This seems to pass constitutional muster. The first vote would not involve punishment. In many respects, it would be bardly different from the censure resolution that some Democrats have advocated as an alternative to impeach-

Laurence Tribe, a constitutional law professor at Harvard Law School, said it would be perfectly permissible for the Senate to vote to express its official opinion that the president had committed the offenses with which he was charged but to forgo conviction on the ground that the offenses were not the high crimes necessary for removal from office.

In three instances in the 19th and early 20th centuries, the Senate voted to convict judges and then took separate votes to remove them from office. But the anthorities who have reviewed the records say there was never any thought that those judges could remain in office once they were convicted of the articles of impeachment

The working group named by Mr. Lott consists entirely of Republicans. The co-chairmen are Senator Olympia Snowe of Maine and Senator Pete Domenici of New Mexico, and the other members are senators John Ashcroft of Missouri, Susan Collins of Maine, Mitch McConnell of Kentucky and John Warner of Virginia.

## U.S. Threat On Trade **Angers EU And Japan**

WASHINGTON - The Clinton WASHINGTON — The Clinton administration, watching the U.S. trade deficit mushroom, has revived a controversial trade policy weapon, drawing angry responses Wednesday from the European Union and Japan.

The U.S. trade representative, Charlene Barshefsky, told the Senate Finance Committee on Tuesday that President Bill Clinton would

that President Bill Clinton would issue an executive order reinstituting "Super 301," a process in which the United States singles out countries deemed to have erected barriers to U.S. goods. The process can ultimately lead to stiff economic sanctions.

The move comes amid rising tension over trade in goods ranging from steel to bananas. The U.S. trade deficit has soared as American consumers, buoyed by a

healthy economy, step up their pur-chases of foreign goods discounted by economic crises abroad. The flip side of those crises — lower demand for some U.S. exports — has contributed to what some European and Japanese of-ficials see as a rising tide of protectionist sentiment in America.

"It looks as if the United States is bowing to domestic protectionist pressures, which we consider to be very regrettable," said Nigel Gardcommissioner, Sir Leon Brittan.

The Japanese international trade and industry minister, Kaoru Yosano, called the U.S. move "a political act aimed at domestic politics,'' as well as increased anti-Japanese sentiment in Congress.

The Clinton administration had allowed the Super 301 trade provisions to lapse in 1997, as the U.S. moved into accord with a system of resolving trade disputes under the Geneva-based World Trade Orga-

The measure provides for the publication of an annual list of trading partners who are judged to be acting unfairly and makes inves-

tigation of them mandatory. Ms. Barshefsky said the process would begin this spring with the release of that list, prompting 90 days of intense negotiations with the targeted countries. If those talks do not produce agreement, the administration will begin formal investigations that, after a year, could result in trade sanctions.

The United States is engaged in bitter rows with the EU over trade in bananas and beef produced with hormones, and with Japan and other countries over steel imports. American steel producers are demanding sanctions against their

See TRADE, Page 4

## 7-Day Drama Jolts Jordan

Abdullah Sworn In as King's Cancer Reappears

### By Douglas Jehl New York Times Service

AMMAN - Crown Prince Abdullah

was sworn in Wednesday as Jordan's regent and heir to the throne, as his family and top government leaders gathered to pledge their support amid growing concern that his father, King Hussein, may never return from a new round of cancer treatment in the United

Doctors confirmed Wednesday that the king, ruler here since 1953 and a steadying hand in Middle East politics, has suffered a recurrence of the non-Hodgkin's lymphoma for which he recently underwent six months of intensive treatment.

King Hussein, 63, returned to the Mayo Clinic in Rochester, Minnesota, on Tuesday only a week after a bnoyant homecoming during which he told Jord-anians he had been "completely cured." Doctors have said that, following chemotherapy and a bone-mar-row transplant that left his body and immune system weakened, any relapse

who modernized his desert country and nisked his popularity to forge a peace treaty with Israel. Yasser Arafat, the Palestinian leader, said, 'I hope that his majesty will return stronger and safer so that we can coordinate together as we used to do."

The sentiment was echoed by Prime Minister Benjamin Netanyahu of Israel. 'I think it wouldn't be an exaggeration in say that our prayers accompany him at this moment," he said.

During a trip to Cairo, Secretary of State Madeleine Albright said King Hussein had done a "magnificent job." Referring to the king's unexpected decision Monday to oust his brother Hassan as crown prince and elevate his son, Mrs. Albright pledged U.S. support for

the strategically important kingdom.
"We will stand by Jordan and hope that this transition is one that does not create problems," said Mrs. Albright, who hastily added Jordan to her Middle East itinerary to meet with the new heir.

She will visit Amman on Thursday. But even as Jordanians worried about their long-serving monarch, they also began turning their attention to Prince Abdullah who, after a hitter split in the would be difficult to treat.

Across the Middle East, leaders expressed concern about the fate of a man pictures of the country's "cub from the

See JORDAN, Page 4 

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a football stadium in St. Louis. The Pope met with Bill Clinton and focused on broad moral issues. Page 2.

### AGENDA

### **Brazil's Currency Continues Its Decline**

procipitous decline.

The government of Brazil raised interest rates sharply Wednesday to try to shore up the country's currency, the real, but the move failed to stem its Brazil devalued it on Jan. 13. It closed Despite other austerity measures in at 1.88 to the dollar. Page 11.

Books	Page 9
Crossword	Page 3
Sports	
Sponsored Section RWANDA	Pages 17-19
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#### PAGE TWO

Abu Nidal's New Base/Is Saddam Branching Out?

## Master Terrorist Is Believed to Be in Iraq

By James Risen

ASHINGTON - Abu Nidal, one of the world's most infamous terrorists, moved to Baghdad late last year and obtained the protection of the Iraqi president, Saddam Hussein, according to intelligence reports received by U.S. and Middle Eastern government officials. The reports have mised questions about whether Iraq is pushing to establish a terrorism network, American and Middle Eastern

Abu Nidal, a brutal survivor of the Middle East's terrorist wars dating to the 1970s, had been living in Cairo for more than a year, according to Middle Eastern government officials who say they have information from inside his organization. While intelligence information about terrorist groups is by nature difficult to obtain and hard to corroborate, American intelligence officials say they consider these Middle Eastern officials to be highly reliable

about terrorism in the region.

Although Abu Nidal's organization is a shadow of the terrorist machine that staged airport killings in the mid-1980s and other raids on Arab, Jewish and other targets, since he moved to Egypt, the Middle Eastern officials said, he has been directing attacks on Islamie radicals who have been at war

with the Egyptian government.

U.S. intelligence officials said he has been hardressed financially and has been seeking financial backing and a new government sponsor since Col-onel Moammar Gadhafi of Libya, looking for ways to persuade the United Nations to lift economic sanctions, backed away from him in the early 1990s. Abu Nidal's move to Iraq, which he was forced to

leave 15 years ago, suggests that he may have renewed a relationship with Mr. Saddam. "He could become a more significant threat

again if he finds more effective state sponsorship,' an American intelligence official said. Abu Nidal still has 200 to 300 followers in his organization, and they have been active in recent

years, especially against Arab targets. His group's recent actions included killing a radical Egyptian eleric in Yemen in July, according to the Middle Eastern government officials. Mr. Saddam lacks such hard-earned expertise at terrorism.

Officials caution that there is oo evidence that Abn Nidal is planning to cooduct terrorism oo Iraq's behalf. In recent years, he has not attacked American targets and has become a lower priority for American counterterrorism officials, who have focused instead on Osama bin Laden, the Saudi exile who officials say was the mastermind behind the bombings of the U.S. embassies in Kenya and Tanzania last Aogust.

But countenerrorism experts in the Middle East say Abu Nidal remains a significant threat. One official who has watched Abu Nidal for years said, Osama bin Laden is a student by comparison."

In early December, Abu Nidal traveled from Cairo to Baghdad through Tehran, Middle Eastern

Egyptian authorities have denied that he wasrecently in their country. But other Middle Eastern officials said that he arrived in Cairo from Libya in 1997 and that he was in Egypt with the knowledge

of the nation's internal security service. Egyptian officials continue to deny that Abu helped Abu Nidal become an international terrorist



Abu Nidal heads the most dangerous terrorist group in the world, responsible for more than 100 attacks and the deaths of more than 280 people since 1974.

Nidal was in Cairo or that Egyptian intelligence was complicit in any of his terrorist activities. "There is absolutely no foundation for any of these allegations." said an Egyptian embassy spokesman, Abdelaleem Elabyad. "I was told to deny them in

the most affirmative way."

Some American officials have acknowledged receiving reports that Abu Nidal has moved to Baghdad, After concluding that the Central Intelligence Agency and other intelligence services had blurted beauty had blumed fraq's previous efforts to sponsor ter-rorism, officials in Washington say that that could change with Abu Nidal's arrival in Baghdad.

BU NIDAL was once America's most wanted terrorist. A 1989 State Depart-ment report called his organization the most dangerous terrorist group in the world, and a 1991 report calculated that it had been responsible for more than 100 attacks and the deaths of more than 280 people since 1974.

A Palestinian renegade who broke with the Palestine Liberation Organization to undertake his own terrorist campaign, Abu Nidal, now about 60, has had a long-running war with both the Palestinian leader Yasser Arafat and King Hussein of Jordan, accusing them of being too willing to compromise with Israel. He has vowed to kill both Mr. Arafat and King Hussein, and the PLO sentenced him to death in absentia in 1974.

He and Mr. Saddam also have a tortured history. and their relationship is not built on mutual trust. Iraq

m the early 1970s, but Abu Nidal left Bagdhad in the early 1980s, in part because Mr. Saddam discovered that he was also working with Syria. "He was double dealing on Iraq," said a Middle Eastern government's expert on Abu Nidal's operations.

Born Sabri Banna in Palestine in 1938, Abu Nidal grew into a pro-Nasser Palestinian nationalist. After briefly working in Saudi Arabia, he moved to Jordan and joined the Fatah, the Palestinian movement that was the forerunner of the PLO. Mr. Arafat, Fatah's chief, sent him to Sudan in

1969, and while there he apparently first came in contact with Iraqi intelligence officers. He briefly returned to the group's headquarters in Amman, Jordan, but soon came to believe that Mr. Arafat was too willing to compromise with Israel.

E WAS NEXT sent to be the PLO's representative in Bagdhad just as Iraq's relations with the PLO were souring. Bagdhad refused to turn its army loose to support the Palestinians during the Black September uprising against Jordan in 1970. Abu Nidal, already on the outs with the PLO leadership, allied himself with the new Iraqi leader, Mr. Saddam.

In 1973, he confiscated the PLO's offices and

resources in Bagdhad and declared that he had officially broken with the PLO. With Iraqi weapons, training and intelligence support, he began a wave

of terrorist actions beginning in 1973, when his group occupied the Saudi Embassy in Paris and took 11 people hostage.

He stayed in Iraq until November 1983, when he was forced out by Mr. Saddam, who then needed Western support in his war with Iran. Mr. Saddam's regime had also discovered that Abu Nidal had established a secret intelligence relationship with Syria while still operating out of Bagdhad.

Abu Nidal moved to Syria, staying until 1987 and carrying out a long string of terrorist acts against other Arab and Jewish targets, often working with Syrian intelligence. In 1986, he provided Syrian air force intelligence with the suitcase bomb used in an abortive attempt to blow up an El Al airliner in London, Middle Eastern officials allege. A Syrian London, Middle Eastern officials allege. A Syrian intelligence agent, Nezar Hindawi, was later convicted for attempting to have his griffined carry the suitcase aboard an El Al plane in London.

But Abu Nidal ooce again had a falling out with his hosts, after Syrian intelligence caught one of Abu Nidal's lieutenants at the Damascus airport

carrying sensitive documents and found weapons he had stored in Syria without their knowledge, ac-cording to Middle Eastern government officials.

In 1987, his organization relocated to Libya, while Abu Nidal moved to Poland for a year, where he was protected by the security service of Warsaw's Communist regime.

In Libya, internal feuds ripped his group apart. In 1989 and 1990, hundreds died in battles between Abu Nidal and dissidents supported by the PLO who sought to take control of his operations.

In April 1998, after Abu Nidal moved to Egypt, a fundamentalist mosque in San'a, Yemen, was bombed. In July, an Egyptian radical sheikh, Mo-hammed Salah. Abdal. Mottalib., was murdered at

another mosque in Yemen.

Al Hayat, a London-based Arab newspaper often used by militant groups to issue statements, reported that one of the suspects in the killing was affiliated with the Abu Nidal organization.

# Meeting Clinton, Pope Avoids Sensitive Issues

By Alessandra Stanley New York Tones Service

ST. LOUIS, Missouri — Ignoring the moral lapses of President Bill Clinton, Pope John Paul II used his trip to St. Louis to address the broader moral failings of the United States.
The conflict is between a culture

that affirms, cherishes and celebrates the gift of life and a culture that seeks to declare entire groups of human beings - the unborn, the terminally ill, the handicapped, and others considered 'unuseful' - to be outside the boundaries of legal protection," the Pope said at an arrival ceremony here Tuesday. The president and Hillary Rodham

Clinton greeted the Pope, who shook hands with them before turning his athands with them before turning his attention to the cheers and the outstretched hands from the first row of seats. He blessed 2,000 people, mainly Roman Catholic families with young children, selected by their parishes. Mr. Clinton, who guided the fragile Pope down a red carpet with a protective hand on his elbow, smiled broadly and introduced him to people in the antience. him to people in the andience.

The entire world had been tut-tutting about the uneasy juxtaposition of the highest moral authority of the Roman Catholic Church shaking hands with an American president on trial for lying about extramarital sex. Mr. Clinton looked completely at ease.

The Varican's main concern was that the Pope's message to Americans not be drowned out by the awkward iconography of the moment. The Clinton scandal all but obliterated news of the Pope's

visit to Cuba in January last year.

"Only a higher moral vision can motivate the choice for life," the Pope said
to strong applanse. "And the values
underlying that vision will greatly depend on whether this nation continues to
honor and revere the family as the basic
unit of society." unit of society."

Afterward, the two leaders sat in a

small room on white armchairs for photographs before their 20-minute meeting. They exchanged a few words, and Mr. Clinton said be was planning his own trip to Mexico soon.

"We want to increase the involvement of the United States," he said, words that seemed aimed at pleasing his guest, who throughout his stay in Mexico repeatedly reminded the United States of its responsibility to poorer nations in Latin America. 'I am looking forward to hearing what the holy father has to say about his trip," Mr. Clinton added.

The Vatican has often expressed its

opposition to some areas of U.S. policy, including abortion, land mines, the death penalty and the bombing of Iraq. The Pope's prepared text had references to those issues, but he skipped over them in his speech. Vancan officials said that even in private the Pope was unlikely to raise issues on which the disagreements



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John Paul II and President Bill Clinton clasping hands after they addressed the crowd in St. Louis, where the Pope celebrated a Mass.

between Washington and the Vatican and deep, long-standing and well known.
Instead, the White house said, the two men discussed the need for continental solidarity and stressed the role of the United States. The Pope praised U.S. efforts to help victims in Central America, as well as to promote religious freedom in totalizarian countries. The Pope alluded to abortion by stressing the need to protect all human life.

They also discussed Mexico and Cuba. The Vatican spokesman, Joaquin Navarro-Vals, said they did not discuss the Monica Lewinsky scandal.

The White House said the Pope told Mr. Clintoo that he "and all American leaders" were in his prayers,

The Vatican was fully aware ahead of time that Missouri had decided to postpone the execution of a death-row inmate while the Pope was in St. Louis. The Pope apparently did oot mentions. On the plane from Mexico, the Pope's spokesman described the postponement

The Pope has had three meetings with Mr. Clinton. They were always cordial, but neither Washington nor the Vatican claims their relationship to be anything more than that. If anything, it may be less; Mr. Clinton dismayed the Vatican when he took communion at a Mass in Soweto, South Africa, in March last year.
The Pope, did not say anything about it
publicly, but Cardinal John O'Connor,
archbishop of New York, expressed his

disapproval openly and firmly.

On Wednesday, teas of thousands of worshippers attended as the Pope celebrated the only public Mass of his fifth visit to the U.S. mainland. Inside the Trans World Dome, normally home of the St. Louis football team, a crowd de 100,000 waved handkerchiefs and flashed pictures of the pootiff.

## Delta Drops Penalty for Not Flying the Web

WASHINGTON - Delta Airlines has abruptly withdrawn

a fee it began charging earlier this month to passengers who do not purchase tickets through its Web site.

"The marketplace has spoken, and we responded," said a spokesman for the nation's third-largest airline, ending a two-week experiment that enraged travel agents and saddled the airline with a rice increase that no other projections are reliable to the state of 10 days of shutdowns by the contract airline with a price increase that no other carrier was willing to

The spokesman said the fee had been withdrawn at the start

of business Tuesday.

Enrier this month, Delta began charging customers a \$1 fee for each domestic travel segment — or \$2 for most round-trip tickets — not purchased on the airline's World Wide Web site. Delta said at the time that the fee was being imposed in an effort to offset the rising costs of computerized reservations systems used by the industry to book most flights.

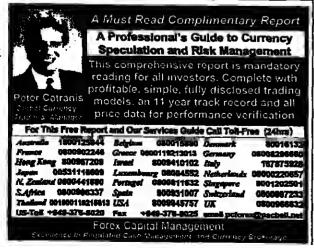
The move raised a storm of adverse publicity, much of it from travel agents who receive no commission for using the

"It's a big victory for consumers," said a spokesman for the American Society of Travel Agents, James Ashurst. "It's one thing to offer incenoves to consumers to use the Web, but it's

entirely something else to penalize people for not doing it."

Mr. Ashurst said Delta might have abandoned the surcharge because it may have cost the airline business on some routes. To avoid paying the fee, agents may have steered consumers away from Delta.

Bot Mike Pingrey, owner of ACT Travel in Washington, believes Delta backed off because other airlines refused to follow its lead. "It was a silly maneuver," he said.



#### TRAVEL UPDATE

LISBON (AP) — Buses replaced many rail services Wednesday at the start of 10 days of shutdowns by train drivers

who are protesting staffing levels.

All overnight international and intercity services and goods trains were paralyzed by the strike action, which is to be staged between midnight and 6.30 A.M. daily. Daytime services also are expected to be disrupted by the drivers' refusal to work

overtime during the protest.

The state railroad company, Caminhos de Fetro Portugueses, provided buses to the border with Spain and from suburban areas into major cities.

The drivers' union is demanding compensation for taking on extra work after the rail company cut staffing levels. The government has split the railroad into two companies covering rail infrastructure and train services in a bid to reduce debt and prepare for privatization.

#### A Flu Warning in Bucharest

BUCHAREST (AP) — Doctors warned people to avoid traveling on public transportation Wednesday after medical authorities declared a flu epidemic, with hospitals treating 1,500 cases a day, a Romanian doctor said.

"We can scarcely cope with all these cases," said Dr. Lucia

Oana of the Bucharest Ambulance Service. Doctors warned people to avoid traveling by bus or subway in Bucharest, which has a congested transportation network Medical authorities also recommended banning visitors from hospitals and keeping sick children home when school vacations end next week.

Several thousand people have contracted the flu since it broke out last week in Bucharest, a crowded city of almost 3

Delta Airlines is discontinuing flights to Poland, saying the route failed to make enough money. The airline's Warsaw office said its last flight would be April 4. The decision leaves LOT Polish Airlines, the national carrier, as the only one flying directly between Poland and the United States. (AP)

#### Correction

Because of a technical oversight, the early edition of Wednesday's paper carried day-old statistical information on Page 12 in the report on commodities futures and market indices. We regret the error.

·	WEATHER			
Europe	Forecast for Friday through Sunday, as provided by AccuWeather.	Asia		
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#### THE AMERICAS

# A Brief and Puzzling List of Witnesses

Apart From Lewinsky, 2 Others Seem to Offer Little to Senate

By Ruth Marcus

WASHINGTON - The House prosecution team has proposed a puzzling strio of witnesses for the impeachment ial of President Bill Clinton.

The list omits one key player who could testify about two of the obstruction of justice charges against President Clinton: his secretary, Betty Currie. And it includes another, the White House aide Sidney Blumenthal, whose

> By Alison Mitchell New York Times Service

WASHINGTON - Senate Repub-

lican leaders have taken a gamble that

Clinton to a relatively quick, dignified

For weeks, Trent Lott, the Senate

majority leader, and his deputies have struggled to find a footing in the midst

of powerful political crosscurrents: The

general public overwhelmingly wants

On Wednesday, the Senate voted

along party lines to take closed-door

depositions from three witnesses. It also

rejected a Democratic motion to dis-

miss the charges of perjury and ob-

just what loyalty they owed to their colleagues in the House, who pulled them over the cliff once before during the government shutdown of 1995-1996.

They also wonder what kind of pre-

cedents they are creating for history.

With all these conflicting impulses in

mind, Mr. Lott has now created a

middle ground for his party; to approve

just three witnesses, to sharply limit the

questioning time to just bours apiece

and to arrive at an end to the trial by

"We are just trying to have a fair process here," the Mississippi Repub-lican said this week, "but one that gets

us to a conclusion, as soon as possible,

Mr. Lott has been navigating his way

through a caucus of many views, not

always following predictable ideolog-

the majority whip, or others who are

fnrmer House members, like James Inhofe of Oklahoma, Wayne Allard of Colorado and Rick Santorum of

Pennsylvania, had pushed to support the House with a full trial and as many

witnesses as the prosecutors wanted. .

But moderate senators like Susan

Collins of Maine and John Chafee of

Rhode Island had also argued for wit-

Senator Richard Shelby of Alabama,

a usual ally of Mr. Lott's, was one of the

Republicans most skeptical about wit-

nesses. And Senator Richard Lugar of

without rushing to judgment.

Senate Republicans had wondered

ANALYSIS

they can open the door to witnesses and still bring the trial of President Bill

and civil conclusion.

the impeachment drive

to end, but the party's conservative base de-

mands that it move for-

struction of justice.

mid-February.

cal predilections.

account is likely to be of marginal. At the same time, the managers asked to call Monica Lewinsky, but — for fear of spooking the Senate — they promised not to ask her anything about one of the central perjury allegations.

This is the "discrepancy," as White House lawyers delicately call it, be-

tween Ms. Lewinsky and the president as to the details of their sexual activity. Instead of seeking an appearance by Mrs. Currie, who could give compelling testimony about the two occasions on

Indiana, usually a centrist, had been mostly quiet in cancus, Republicans

say, but sounded fierce Tuesday when

he blamed the White House for any

partisanship developing in the Senate.
"The White House has stonewalled

almost every opportunity to inquire about the president's activities," he

To hold this group together and win a majority for witnesses, Mr. Lott steadily reined in the House prosecutors.

They once wanted to call 15 witnesses

instead of the three for whom they

He thus has played almost the op-posite role as the leadership in the

House. There Representative Tom Del ay, the majority whip, aggressively pushed impeachment forward, by clev-

erly pushing moderates to vote for impeachment, by not allowing them an easy out through a censure alternative.

turned the tide on witnesses

But Mr. Lott's efforts seemed to have

The vote should satisfy those Re-

publicans who believe it would set a

dangerous constitutional precedent to

cut off the impeachment trial and those

still trying to decide whether Mr. Clinton did obstruct justice and commit

perjury. It keeps the party's conservative base from charging that the Senate just dismissed the case. It keeps

working relations between the House

and Senate majorities. And if every-

thing goes according to plan, the trial

But before the two parties began negotiating Tuesday night, Senator Tom Daschle, the minority leader, and

the White House warned in increasingly

strident tones that once depositions

were allowed, the trial would inevitably

spiral out of control. "Our colleagues

need to clearly understand that if it's a choice between expeditious and fair,"
Mr. Daschle said, "Democrats are go-

private lawyer, warned the Senate of a

long legal process ahead "if the genie of discovery is let out of the bottle."

could yet be extended. As the rules now

stand, the Senate can take individual

other witness to testify in the chamber.

There are several ways this trial

will end by mid-February.

ultimately settled.

Seeking Middle Ground

Senate Republicans Struggle to Reconcile

Their Conflicting Interests in Clinton Trial

which she says Mr. Clinton bombarded her with a series of false statements concerning his involvement with Ms. Lewinsky, the managers took the risk of asking for Vernon Jordan Jr.

The Washington superlawyer's testimony would "indubitably," as he is wont to say, be relevant to those determining whether efforts to arrange a job for Ms. Lewinsky were linked to her filing of a false affidavit in the Paula Venez lawyers. Jones lawsuit. But the notion that the managers might be able to dislodge Mr. Jordan from his assertion the two were aconnected is far-fetched at hest

In be sure, the managers confronted pressure from Senate Republicans for a short witness list, and not to generate a

long and messy trial.
"We were put in a procedural box," said Representative James Rogan, Republican of California. "We didn't want to run the risk of putting the three most controversial witnesses on the list and run the risk of getting none of

The managers also faced the difficult fact that all but one of the main witnesses work for Mr. Clinton or are on his team, and that the other, Ms. Lewinsky, is clearly in no rush to help out those who want to oust him from office.

They also weighed tough trade-offs in deciding whom to cut. For example, Mrs. Carrie's account of how she came to retrieve subpoenaed gifts from Ms. Lewinsky — she supports Mr. Clinton in saying that he did not ask her to get the gifts and recalls that it was Ms. Lewinsky who initiated the pickup — hurt their case.

But her testimony about the pres-ident's series of false statements to her after the Paula Jones deposition is helpful to prosecutors.

And while a Currie defense of Mr. Clinton in the Senate trial clearly could be attacked as the supportive statements of a loyal secretary, hammering a sympathetic African-American woman in the well of the Senate might not be the wisest political or legal strategy.

Mr. Blumenthal represents a tradeoff of a different sort. His testimony about Mr. Clinton's statements after the Lewinsky story broke — that she was a 'stalker", who 'came at me and made a sexual demand on me" — portrays the president in a highly anflattering light. Senate Democrats seized Tuesday on

the choice of Mr. Blumenthal over Mrs. Currie as an admission of weakness by the managers.

Of the proposed witnesses, the managers described Ms. Lewinsky, in Representative Bryant's words, as "probably the most relevant witness — that is, aside from the president himself." Although, as the White House likes to

point out, Ms. Lewinsky has been quesioned at least 22 times (23 including her Sunday session with the House managers), there would seem to be ample or productive questioning

Ms. Lewinsky could address a new piece of evidence in the case, a cellular record showing a call from Mrs. Currie at 3:32 P.M. on Dec. 28, the day Mrs. Currie picked up from Ms. Lewinsky gifts she got from the president. Ms. votes after depositions on whether it wants to call Monica Lewinsky or any Lewinsky says the call came at 2 P.M.

Mr. Jordan - who was not reinterviewed by prosecutors after they obtained Ms. Lewinsky's cooperation — The Republicans are hoping that the White House's veiled threats of a prolonged trial are empty. "They'd be nuts to carry this thing on," said Senator Orrin Hatch, Republican of Utab. "That was a big bluff." could be asked about his conflicting accounts of why he got her a job, sometimes saying it was a favor to Mrs. Currie, sometimes saying the president had asked him to.



A rescue worker coming to the aid of Jayson, 12, during his rescue on Wednesday after having been trapped in rubble for more than 38 hours. The earthquake, which measured 6.3 on the Richter scale, shook the aren in and around the city of Armenia, in western Colombia's central coffee-growing region, on Monday.

## Colombia Quake Toll Reaches 700

Rescue Team, Working in Heavy Rain, Fears 2,000 May Have Died

ing oil, flour and rum.

city broke down the gates of a down-town supermarket and stole rice, cook-

Debris began falling from the upper

reaches of the damaged four-story building that housed the store, sending

the panicked looters into the street.

Compiled by Our Stoff Front Dispatches

ARMENIA, Colombia — This city of 300,000 people in the coffee-growing region of western Colombia was a study in chaos and destruction Wednesday after the most devastating earthquake to hit this nation in more than a century. Rescue workers - struggling against

shortages of everything from searchlights to coffins - confirmed Wednesday that 700 people were killed in the earthquake Monday, and local officials said the toll would probably reach 1,000 once the mounds of wreckage were removed. Relief workers estimated that the body count evectually could exceed 2,000 and that thousands more were injured. The tremors shook the region for just 18 seconds.

After a night of heavy rains slowed the search for victims and worsened the suffering of survivors, relief efforts resumed under gray skies Wednesday amid reports of coffin shortages and looting.

Rudimentary equipment such as search lights—to find people trapped in the ruins of thousands of buildings was in short supply. "We have a big problem," said a senior provincial govemment official who did not wish to be people are dying under the rubble." Hungry residents of this devastated streets.

A similar scene occurred at a grocery store a block away. At least three people were found alive

under the rubble Wednesday, including 65-year-old Jorge Lieser Gomez, who told reporters after his rescue, "I thank God because I am alive, and that my family is all right.

The pained voices of two childreo were heard under the debris late Tuesday, but by this morning rescue teams had failed to dig them out.

"Unfortunately, the voices went quiet during the night, but we are still searching, with the hope of rescuing them alive," said Cesar Augusto Giraldo, a Civil Defense rescue worker.

The government, meanwhile, denounced profiteering in caskets and pledged coffins to any families that "center" ver performance to

"We don't have enough coffins to ings were thought to be uninhabitable, bury the dead," said Henry Gomez; local officials said. There is oo running governor of the state of Quindio. Relief water or electricity throughout most of We are in meetings while thousands of workers wrapped bodies in black plastic the city and shortages of food, drinking or blankets and left them on the water, medicine and clothing are wide-

Captain Ciro Antonin Guiza, Armenia's deputy fire chief, said rescue workers here were so nverwhelmed that many bodies remained on the streets uncollected.

President Andres Pastrana, who postoned a planned visit in Munich to meet with representatives of the World Bank, declared western Colombia a disaster area after surveying the area and in a televised address promised more than \$12 million in financial relief to those who had lost their homes.

In the capital, Bognta, government officials launched an international appeal for aid, and teams of rescue workers trained in earthquake relief traveled to Colombia from Japan, the United States and other countries. Mexico promised to send gas-powered generators and specially trained dogs to search for survivors amid the rubble.

The quake, which registered 6.3 on the Richter scale, was powerful enough to shake buildings in Bogota, about 140 miles (220 kilometers) from the epi-

In Armenia, 80 percent of the dwellspread. (WP, AP, Reuters)

#### POLITICAL

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37 Unappealing

#### Aid to Canada? See Back Burner Capitol Motives for Party Amity

Republicans say that conservative ing to fall on the side of fairness."

WASHINGTON — Foreign aid to Canada? That's what it looked like to some folks in the Senate when they spotted an Agency for International Development proposal for \$200,000 to train people at the Pearson Peacekeeping Center in Nova

AID says the money is "to design a training curriculum to integrate women's human rights into peacekeeping imitatives." "The problem," an agency spokesman said, "is that in postwar or postconflict simations, it is most often women and children who go without food, water, medicine and shelter."
The "gender and peacekeeping" initiative was approved last March by Secretary of State Madeleine Albright.

Paying Canadians to do gender sensitivity training? Jesse Helms, Republican of North Carolina and the Senate Foreign Relations Committee chairman, promptly put a hold on the

ACROSS

1 Overwhelm

11 Word of indecision

a Prince in "The

18 String quartet

18 Popular cable

17 Start trouble

20 Probation

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22 Over: Prefix

23 Actor Wheaton

24 Challenging potato chip quantity

Arabian Nights Entertainments

WASHINGTON — In pressing for witnesses, Republican senators often cited the constitution or disapproval of President Bill Clinton. But there is a more political explanation: Senators may see the move in their own best interest.

Republican strategists said there was growing recognition that the more united their party was on impeachment, the better positioned it would be for its legislative agenda.(NYT)

#### Quote/Unquote

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Pope John Paul II, speaking against capital punishment on his visit to St. Louis: "The dignity of human life must never be taken away, even in the case of someone who has done great evil. Modern society has the means of protecting itself without definitively deaying criminals the chance to reform." (AP)

### **AMERICAN TOPICS**

### In Racially Charged City of Washington,

A Case of Guilt by Phonetic Association The new Washington mayor has accepted the resignation of a staff lawyer because of complaints that he used a racial

epithet. But even as he stepped down, David Howard, who is white, said that the word he used — "niggardly" — has no racial connotation.

Mr. Howard "didn't say anything that was in itself racist," Mayor Anthony Williams said, while adding, "Good judgment is required in executive positions."

Mr. Howard said that he had used the word in referring to a fund be administers. He said it means "miserly." Webster's dictionary concurs, noting that the word is of Scan-dinavian origin, unlike the similar-sounding racial epithet, a

word that comes from the Spanish or Portuguese for black. After using the word in a meeting of the mayor's staff, Mr. Howard said he realized some of those present were offended, and he apolngized. But he said that he later received many angry phone calls from people who thought he had made a racist remark.

The mayor, whn is black, was the subject of a recent opinion article in The Washington Post by a local man whn asked whether Mayor Williams was "too white" to govern

a predominantly black city. The mayor has also been criticized for cutting city jobs, a majority of them held by blacks. He said the issue reflected a "hurt" and "great divide" within the city and that race relations urgently required mending.

#### **Short Takes**

Federal officials are considering a proposal to raise the temperature of a stretch of the Colorado River to help a fish endangered by cold water releases from a dam near the Arizona-Utah state line. The humpback chub has been endangered since 1967, four years after Glen Canyon Dam

The U.S. Bureau of Reclamation has proposed a \$15 million modification that would draw warmer water from the top of the lake created by the dam. Environmentalists say they favor the plan, if it is closely monitored.

The modifications would be comparable to those installed at the Flaming Gorge Dam in Utah in 1978, a change that led to a rise in the fish population.

Life in the '90s Dept.: The scene was on Mercer Street in New York City, where bargain-hunters had formed a long line on the sidewalk waiting to get into a department store holding a going-out-of-business sale. Many of the shoppers were talking on cellular phones, recounts The New York Times, when a young deliveryman rode up on a wobbly bike.
"Who ordered Chinese?" be asked. A woman signaled him and paid the bill, then began her outdoor lunch.

Brian Knowlton

#### **Away From Politics**

· Americans worry too much about potential dangers in their lives, especially the chances of developing a deadly dis-ease or being seriously hurt in a car crash, according to a Harris poll released Wednesday. (Reuters)

 About 400,000 poor children with elevated lead levels in their blood were not screened under Medicaid and other federal health programs despite federal law that requires such testing. congressional auditors have estimated. (AP)

 Coast Guard investigators in South Caro-lina have recommended that all mayday calls be considered legitimate un-til thoroughly checked. The recommendation follows a sinking of a sailboat in 1997 that claimed four lives. A radie distress call from the stricken vessel did not prompt a Coast Guard

CROSSWORD

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THE WORLD'S DAILY NEWSPAPER

#### ASIA/PACIFIC

## **Indonesia Army to Cut** Presence in Parliament

The Associated Press

JAKARTA - Indonesia's military will halve the number of seats it holds Parliament but keep a strong political role, legislative leaders agreed Wednesday in a move that could anger students demanding broad democratic change.

Crafting rules for June 7 national elections, the chiefs of Parliament's four factions decided to cut the number of appointed seats for the military to 38 from 75. Parliament has 500 members.

But government critics have said all legislators should be elected to ensure a full transition to democracy.

## Mahathir Vows Beating Probe

KUALA LUMPUR — Prime Min-ister Mahathir bin Mohamad of Malaysia said Wednesday that the government would form a commission to investigate a beating suffered by Anwar Ibrahim, the former deputy prime minister, while he was in police custody.

The government has decided to set up a commission of inquiry into the cause of the black eye of Anwar," Mr. Mahathir said, according to the

Bernama news agency.

The commission, he said, would be led by a former attorney general, Abu Talib Othman, and would include a former chief justice, Anuar Zainal Abidin, an appeal court judge, Mahadev Shankar, and an orthopedic surgeon, not identified.

Mr. Anwar's wife, Azizah, welcomed the news.

"It's great," she said. "I bope they do a good job." Speaking after Mr. Anwar's corruption trial had adjourned for the day, she said the inquiry should focus on "getting to know who did

A report by the attorney general earlier this month blamed the police for Mr. Anwar's injuries, including the black eye that was apparent at his first court appearance io September.

The report did not identify those responsible but it led to the resignation of the chief of police, Abdul Rahim

An opposition lawmaker, Lim Kit Siang, urged the new commission to call Mr. Mahathir, who was home minister at the time, as a witness. "The commission should conduct all its proceedings and hearings in public," Mr. Lim said.

Opposition politicians had wanted to reduce the number of appointed military seats to 15 with the aim of eventually banishing the armed forces from the legislature altogether.

Many Indonesians resent the military, which is trying to revamp its tarnished image as a human rights violator and is struggling to contain a wave of riots that has hit Indonesia in the past year.

Under the deal expected to be passed by Parliament on Thursday, the military will also get 10 percent of seats in provincial legislatures and some local councils, said Abu Hasan Sazili, chairman of the parliamentary committee for

General Wiranto, the military chief, said the armed forces would remain neutral during the election. Under Indonesian law, members of the military are prohibited from voting. Student activists who helped oust

President Suharto persisted with their protests last year, demanding a trial of the former president on corruption charges and that the military be banned from politics.

After taking a break during the Islamic holy month of Ramadan, students have pledged to resume demonstrations.
About 100 campus protesters railied
Wednesday against the military's role in
politics but soldiers blocked them from approaching Parliament.

In another development, President B.J. Habibie has ordered Indonesia's 4.1 million government workers to get out of politics before the parliamentary election. The move could be a major blow to the ruling Golkar party. Hartarto, the state administrative re-

form minister, said Wednesday that Mr. Habibie had signed a presidential decree banning state employees from being members or executives of political parties. Under Mr. Suharto's rule, civil servants were obliged to vote for his Golkar party, which dominated the tightly controlled political system and propped up his rule for three decades.

■ Christian Group to Visit

The World Council of Churches, concerned by an upsurge in violence against Christians, said Wednesday that a delegation would visit Indonesia this week, Reuters reported from Geneva.

The council, a grouping of more than 00 Christian churches from more than 100 countries, said a 10-member team would visit Indonesia beginning Thursday and boped to meet Mr. Habibie.

Christians, who make up around nine percent of the population of Muslimplagued by arson attacks on churches.



Riot police officers gathering outside the Parliament building in Jakarta on Wednesday as students protested.

## Singapore Activist Retests Speech Law

By Michael Richardson International Herald Tribune

SINGAPORE - A Singapore opposition activist campaigning for free speech said Wednesday that if he is fined for breaking public speaking laws in a trial next week, be will refuse to pay and be prepared to go to prison in-

Chee Soon Juan, leader of the small Singapore Democratic Party, also said that the next step in his campaign would be to speak in one of the public housing complexes where more than 80 percent of the island state's 3.1 million population lives.

He was twice charged this month with an offense under the Public Entertainment Act for giving unauthorized speeches to lunchtime crowds in Singapore's business district. He faces separate trials on Feb. 1 and 9. Each offense carries a maximum fine

5,000 Singapore dollars (nearly \$3,000). A fine of more than 2,000 dollars would bar him from running for Parliament for five years under Singa-

Speaking to the Foreign Correspondents' Association on Wednesday, Mr. Chee said that he would refuse to pay any fines imposed by the courts for sucb offenses because it would "legitimize

He said that if he refused to pay, he expected the judge to impose a prison



Chee Soon Juan telling correspondents Wednesday that he will refuse to pay a fine if one is imposed.

Having to get a police permit before giving a public talk violated the right to free speech under Singapore's constitution, Mr. Chee said. "To pay the fine would be tantamount to admitting that I've done something wrong," he said.
Mr. Chee has written to the president

of Singapore, Ong Teng Cheong, asking him to convene the Constitutional Court to review his case.

But the minister of state for law and bome affairs, Ho Peng Kee, said recently that Mr. Chee was defying the law, and that the rule at issue was "a procedural

requirement" that did not affect the substantive right of free speech.

Mr. Chee, whose party failed to win any seats in the latest general elections, in 1997, said that the curbs on civic liberties and state control of key media

He said that such regulations were designed to make it hard for the opposition to be heard and win seats in Parliament. The governing People's Action Party, which has controlled Singapore since 1959, holds 81 of the 83

Mr. Chee said that he and Joshua Jeyaretnam, the head of the opposition Workers Party, had written to the United Nations recently to ask it to "put pres-sure on this government to conform to international norms of free and fair elec-

Mr. Chee's public-speaking tactic has split opinion among opposition leaders and academics, some of whom fear that his high-profile challenges to the law could hart the opposition's

"I doo't think it will give the op-position a good name," Chiam See Tong, one of the two elected opposition members of Parliament, told Reuters over the weekend.

But Mr. Chee said that the system of olitical control in Singapore was so 'choking" that it left him with no alternative but to break the law if wanted to uphold the right of free speech guar-anteed by the constitution.

#### BRIEFLY

### Does Macedonia Recognize Taipei?

SKOPJE, Macedonia — Hours after the Macedonian foreign min-ister established diplomatic ties with Taiwan on Wednesday, the Macedonian president called the move "a surprise" and said he

would not recognize it.

In a statement issued by his office, President Kiro Gligorov said Macedonia still considered the government of China "the only legitimate representative of the Chinese people" and that "Taiwan represents an inseparable part of China"

But it was not clear whether Mr. Gligorov, a former Communist, had the anthonity to block recognition of Taiwan if the new centerright government has approved it.
Prime Minister Ljubco Georgijevski's government did not announce its intention to recognize Taiwan beforehand, and a spokesman was not immediately available to comment in Skopje.

#### Hong Kong Aide Gets Airport Blame

HONG KONG - A top government figure who escaped blame in an official report last week on the disastrous opening of Hong Kong's new airport came under fire Wednesday when legislators released results of their own separate in-

The territory's ranking civil servant, Chief Secretary Anson Chan, was accused of contributing to the humiliating mess by not delaying the opening date. Ms. Chan was in charge of the government's Airport Development Steering Committee, which oversaw the project.

Ms. Chan called a news con-

ference and made a fresh apology over the debacle. But she said she was "somewhat puzzled" that the report held her personally respon-sible. (AP)

#### Chinese Official Sentenced to Death

BEUING - A Chinese court on Wednesday ordered a local official, Li Chenglong, put to death for tak-ing bribes worth \$480,000 and accumulating wealth from unknown sources in one of China's most flag-rant examples of corruption. (AP)

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### TRADE: U.S. Revives Policy Weapon

Continued from Page 1

Japanese rivals, whom they accuse of dumping their output on the U.S. market at prices below the cost of

production. Meanwhile, continues to battle the EU over its qual rate of \$168 billion last year banana import policy, maintaining and is expected to increase by anthat Europe illegally favors bananas other \$50 billion to \$60 billion this from its former colonies in the year. Caribbean over produce from Latin American countries that is marketed by U.S. companies.

ruling challenging Super 301 before in troubled economies overseas and the World Trade Organization if the set a dangerous precedent. United States goes ahead with its threat to impose sauctions in the row

over bananas. Both the EU and Japan believe that the whole body of U.S. Section 301 trade legislation, of which Snper 301 is only one part, is incompatible with Washington's commitments as a member of the WTO.

A WTO ruling against such an important piece of American legislation would be politically explosive in Washington and could jeop-ardize U.S. support for the Geneva-based organization.

Trade analysts are already warning that protectionist sentiment in the United States is increasing as cheap imports from crisis-hit comtries in Asia have begun to push up the country's deficit.
The deficit was running

Treasury Secretary Robert Rubin

told the Senate Finance Committee that U.S. efforts to close its giant The EU insists that it will seek a market could burt recovery efforts "If the United States, with its

healthy economy, is seen as moving toward restricting markets, that could well reinforce the newly vibrant forces of protectionism in many countries around the world," he said, "and that is enormously against our economic interest." His comments drew a rebuke

from Senator Jay Rockefeller, a West Virginia Democrat, who said he was afraid Mr. Rubin "has a grip over the president's mind when it comes to trade matters" that is preventing the administration from



Prime Minister Keizo Obuchi of Japan reacting to questions by opposition members of Parliament in Tokyo on Wednesday.

moving forcefully to protect the U.S. steel industry. Mr. Rockefeller said that industry could be forced to lay off 80,000 workers later this year if a flood of cheap steel imports was not curbed.

#### TIMOR: Freedom Called a Possibility enument might be making a concili-atory gesture to its international and Continued from Page 1

independence to the territory after the June 7 national election.

"If the Indonesian proposal to give special status to East Timor is rejected, the cabinet will suggest to the tive, such as Aceh and Irian Jaya, to next MPR to consider letting go of East Timor." Mr. Alatas said, Reuters reported from Jakarta. The assembly, which chooses Indonesia's president, is known by its Indonesian anguage initials as the MPR.

Welcoming Jakarta's concessions, President Jorge Sampaio of Portugal said they could advance prospects for a settlement in East Timor, where thousands of terrified people were reported Wednesday to have fled their villages to escape violence between groups of pro- and anti-Indonesian Timorese. But some East Timorese leaders

cautioned that the Indonesian gov-

Ali Alatas and Information Minister domestic critics in the expectation Yunus Yosfiah — said Wednesday that worsening conflict between riving that if Jakarra's offer of autonomy political factions in East Things for East Timor were rejected, the would make the independence option ent would propose that In- untenable, leaving antonomy wi donesia's highest legislative body, Indonesia as the only solution. the People's Consultative As- Analysts said that significant elesembly, should consider granting ments of the Indonesian military

were reluctant to go along with independence for East Timor, fearing it could encourage other regions of Indonesia where separatists are actry and break away.

"Treact with a lot of skepticisms."

Jose Ramos-Horta, an East Timorese independence campaigner, told Portugal's TSF radio from Australia. He said be was afraid that Indonesia could later retract or amend its new proposal.
But Mr. Ramos-Horta, who wor

the 1996 Nobel Peace Prize jointly with East Timor's Roman Cathelic bishop, Carlos Belo, said that Jakarta's announcement confirmed a growing sentiment in Indonesia that it was no longer possible to keep a tight hold on the territory, where small bands of pro-independence guerrillas have been fighting in donesian troops for years. "This confirms what we have

heard from many sources - find there is a prevalent point of viewsin Jakarta that Indonesia has lost the battle over East Timor," he said.

An estimated 200,000 East.

Timorese — about a quarter of the population — have died in fighting

Indonesian military invaded. Earlier this month, Australia, one of the few countries to recognize Indonesian rule in East Timor, said that Jakarta ought to consider allowing self-determination in the tel-

or of disease and starvation since the

The head of Indonesia's National Mandate Party, Armen Rais, who is a leading contender for the presidential election in November after legisla-tive elections in June, said in Singa-pore on Tuesday that he favored seftdetermination for East Timor. So me a referendum in East Timor is the only solution," he said. "East Timor has become a thorn in our flesh."

But Mr. Rais cantioned that a referendum, which analysts say would have to take place under UN anspices to be internationally credible could not be held quickly, otherwise the "simation could become worse, and maybe result in a civil war."

Indonesia's Human Rights Commission estimates that more than 50 people have died in scores of clashes in East Timor in the past six months between pro- and anti-Indonesian groups.

More than 2,700 refugees are camped out in the village of Suai, 90 kilometers (55 miles) southeast of the capital, Dili, after fleeing the latest bout of such violence, sid workers said Wednesday.

### JORDAN: Crown Prince Is Sworn In as King Suffers a Relapse of His Cancer among the rank and file, said Fahad economic reform and democratiz-Fanek, a local columnist and politation. clouded by economic problems and troubles across the Israeli and Iraqi

lion king." Though the king in an unusually blunt public letter had criticized his brother's leadership during the six months that he was at the Mayo Clinic, Prince Hassan appeared to have set that rebuke aside, and was among the first to hug and congramlate the new heir after a formal swearing-in ceremony Wed-

nesday. While the shift caused controversy here and was criticized by those who felt the more-experienced Prince Hassan should have been left in charge, diplomats and local analysts also said that, as the king's eldest son and a respected army of-ficer, Prince Abdullah will wield authority. He will turn 37 on Fri-

day.

The loyalty and support of Jordanian tribal leaders will be automatic, they said, and the new heir can count on support from his extended Hashemite family, a clan whose unchallenged legitimacy here stems from its direct descent from the Muslim prophet Mo-

hammed. In addition, as a career soldier and head of the Jordanian Special Forces, the crown prince will have the support of another key pillar of this society: the military, an insti- the country unlikely. They also never had close ties.

ical commentator.

Indeed, in choosing his eldest son, King Hussein not only reverts to a more traditional line of succession but also elevates a man cast

more in the his own image.

Prince Hassan is considered to have the deeper intellect. But he is also thought to have less of a common touch than the king. Prince Abdullah likes fast cars - he won the Jordanian Rally Racing championship one year - and is head of the Jordanian soccer federation.

"He is a more of a physical guy," one diplomatic source said. "Likes to race cars. Hands-on." Married with two children, a son

and a daughter, Prince Abdullah is half-British. He is the son of Princess Mona al Hussein, whose maiden name was Toni Avril Gardiner. He was educated largely in England and the United States, including the Deerfield preparatory school in Massachusetts, and many here say he speaks English better than Ar-

One diplomat said that despite his youth, Jordanian tribal, military and other leaders loyal to King Hussein would rally around Prince Abdullah, making any instability inside tution important to political stability would help guard against mistakes but one with which Prince Hassan in his initial dealings with regional and internations! leaders.

Few Jordanians have ever known borders.

people here say they cannot imagine how anyone could fill the shoes of King Hussein. Some people say they find it hard to understand his decision — carried out in the space of a week, with the apparent knowledge that he was ill to wrest the post from an ex-

perienced statesman and hand it to a

36-year-old career soldier who has never had a political role. We lost the only Hashemite with experience, knowledge, maturity, intelligence, connections, and seriousness," said a member of a all of this will lead to a change for prominent Jordanian family in ref-

"Prince Abdullah might be a nice guy, but he has no experience, no education, no seriousness," he said. Like most people critical of the 35, a travel a king's decision, he agreed to be phrase, I think quoted only on condition that his he is doing."

name not be used.

months of cancer treatment in the United States, the king said that he But, he added, "popular trust in worked his way through the chain of baps more important to Jordan in the command but remains popular long run, is his stand on issues like able" about their future after years any decision he takes."

any other king, and most ordinary But what he set in motion in less than seven full days at home has only compounded insecurities. . The steps included the removal of

Prince Hassan, to whom the king had referred for years as "the apple of my eye," then the bitter letter that all but accused his brother of treachery, and finally his own sudden departure, explained by a doctor's bul-letin that symptoms that could mean a recurrence of cancer had ap-This has all been very strange,

but we have to hope that somehow, the better," said Samr Khayat, 27. erence to the ouster of Prince Hassan, 51. 'And we replaced him with
a zero as far as most people are nearly five decades of turbulence in the Middle East has forged a faith that even if his actions are hard to understand, they may for the best.

As one woman, Journana Nuqui,

35, a travel agent, put it: "In a phrase, I think the king knows what

Mr. Fanek, the columnist, argued But he and others said they were in the newspaper Al Rai on Tuesday speaking frankly because of real unthat such semiments meant any disease, a feeling that Prince Abdullah content over Prince Hassan's ouster might not be well-suited to guiding would fade away. "Nobody can cast Jordan in an unsented region.

On his return last week from six ability and his experience during 34

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#### **EUROPE**

## Albright-Ivanov Talks: Chill Behind the Smiles

By Thomas W. Lippman Washington Past Service

MOSCOW — It was icy and pitch surk Wednesday morning when Sec-retary of State Madeleine Albright left Russia, ending her two-day visit, and it was tempting to see the weather as a metaphor for U.S.-Russian relations at the conclusion of her talks.

If the Russians value blunt criticism, they must have enjoyed the conver-

Both sides described the talks as valo-

### Yeltsin Questions Primakov Plan

The Associated Press

MOSCOW - President Boris Yeltsin might welcome a proposal by Prime Minister Yevgeni Primakov to stabilize Russia's tense political situation but oot if he has to relinquish some not his broad anthority, the president's spokesman said Wednesday.

Uoder the proposal, advanced Tuesday by Mr. Primakov in a letter to members of Parliament, the legislators would drop an impeachment motion against Mr. Yeltsin on a variety of charges and offer him immunity from prosecution after leaving office next

The spokesman, Dmitri Yakushkin, said Mr. Yeltsin saw benefit in Mr. Primakov's initiative to ease tensions

gripping the country.
President Yeltsin "would not mind" if the lawmakers halted the impeachment proceedings and offered him immunity, Mr. Yakushkin said.

Prime Minister Primakov suggested that, as part of a deal, the president promise oot to use his power to dissolve the Duma, the lower house of Parliarest of this year.

Mr. Yeltsin, who has been in a hospital 10 days for treatment of an ulcer. met Wednesday with Mr. Primakov to discuss the senstive political situation and other issues.

Mr. Yakushkin tried to play down the rift, the first public discord between the president and the prime minister since Mr. Primakov took office in the fall.

"The president and prime minister are working in close contact, they highly respect each other's stance," the spokesman said. He declined to say whether Mr. Yeltsin would order Mr.

able and expressed determination to cooperate wherever possible.

Foreign Minister Igor Ivanov said Mr. Albright's visit "has allowed us to synchronize our watches." Mrs. Al-

NEWS ANALYSIS -

bright said that while "lots of people are looking for confronta-tion," she is "very satisfied that we are on a good road."

But the visit exposed more areas of difference than agreement. It dramatized a gap that has opened since last summer between a prosperous, confident United States and an impoverished Russia gripped by political paralysis and charing under perceived American

tutelage.
In the words of a member of the Russian Parliament, Alexei Arbatov. Besides domestic instability and decline, Russia feels vulnerable in the south, threatened in the west, potentially endangered in the east and progressively inferior at the global strategic

By contrast, he added, "The West is domestically robust, invulnerable and superior vis-à-vis Russia."

For all the smiling declarations of mutual regard by Mrs. Albright and Mr. Ivanov, this was not a dialogue of

Within the Clinton administration, little remains of the optimism about Russia that guided policy-making several years ago after President Boris Yelisin's re-election, when President Bill Clinton and his advisers thought Russia was about to take a place in the clob of industrialized democracies.

Now senior officials describe the relationship as one of "damage control" or "muddling through" until Russia's presidential election next year, which could end the country's political pa-

In the meantime, the areas of disagreement are proliferating. According to senior members of Mrs.

Albright's entourage, the messages she delivered to the Russians included Your budget is unrealistic and your revence projections are phony. Until you get real, it will be hard for us and for

the International Monetary Fund to help The positions you have taken in negotiations on revising the Treaty on Conventional Forces in Europe, a key-

stone of future relations between Russia

and NATO, are unacceptable. • Unless you stop selling missile RECALLING LENINGRAD, TOO — A World War II veteran laying flowers Wednesday in St. Petersburg to mark the 55th anniversary of the end of the 900-day Nazi blockade. Another vet raised a glass.

### Germans Pay Tribute to Gay Holocaust Victims

BONN - Germans marked their fourth annual Holocaust memorial day Wednesday with ceremonies at former concentration camps and warnings not to let the memory of Nazi atrocities

For the first time, the events commemorated an estimated 10,000 gay victims of the Nazi regime with a ceremony at the Sachsenhausen camp at Oranienburg outside Berlin.

But the memorial day also illustrated the nation's growing uncertainty about how new generations of Germans should remember the Holocaust.

President Roman Herzog, speaking in Parliament, said recent renewed debate in Germany about the Nazi past showed "that we have not yet found

mercial satellites on your rockets - a

We doo't like the recent ootburst of

anti-Semitic statements from prominent

politicians in your country or some of

the trumped-up criminal cases that un-

dercut personal freedom. We know

times are hard in Russia, but blaming

develop and possibly deploy a defense against strategic missiles, because it seems to violate the spirit if not the letter

of a treaty between os. Bot it's not

We know you doo't like our plan to

imaginary villains is not the answer.

lucrative business that you need.

this lasting form of memory." He said Germany finally must build

a national Holocaust memorial, a project that politicians and intellectuals have debated for a decade. "We Germans must build this memorial for our own sake," be said. "Nazism is our

common, terrible heritage."
Chancellor Gerhard Schroeder has backed a design unveiled this month by the U.S. architect Peter Eisenman that calls for a memorial, library and Holocaust research center in central Berlin, near the Brandenburg Gate.

As government flags flew at half-staff, Mr. Schroeder warned Germans to stay on guard against racism and intolerance and reminded them of their duty to preserve the memory of the

Mrs. Albright and members of her

"America wants to see Russia suc-

team said they offered these criticisms

in a spirit of goodwill, friend to friend.

ceed and to work with Russia's gov-

ernment and people to build a strong partnership," Mrs. Albright said at a

At another meeting, with intellectuals

and religious freedom advocates, she

said, "We want a Russia that is confident, and that will fulfill its potential as

a global force for peace and justice and

news conference with Mr. Ivanov.

we're worried about,

"Every attempt to withdraw from that historical responsibility is doomed to failure," he said in a statement.

His comment appeared partly aimed at a prize-winning German anthor, Martin Walser, who set off a controversy last fall by suggesting that he was weary of repeated reminders of the genocidal crimes of his forefathers. Mr. Walser's remarks sparked

weeks of angry debate led by the head of Germany's Jewish community, Ignatz Bobis, a Holocaust survivor who accused the aothor of playing into the hands of anti-Semites.

Mr. Herzog proclaimed the Day of Remembrance for Victims of Nazism in 1996. He ehose Jan. 27 because it was the day in 1945 that Soviet troops liberated the Auschwitz death camp.

said: "I consider that ridiculous. The

own grievances with Washington, most

volubly over the air strikes against Iraq, which Russia resented as a crude U.S.

maneuver to circumvent the UN Se-

which Russia retains leverage.

curity Council, one of the few forums in

Mr. Ivanov, like Mrs. Albright, ex-

pressed determination not to let dif-

ferences over specifics get in the way of

an overall cooperation. He gave no

The Russians, of course, have their

whole point bere is to engage Russia,"

#### BRIEFLY

#### Russia Says Payments To Jews Are Unfair

MOSCOW - The Russian lower house of Parliament unanimously passed a resolution Wednesday charging that German compensation to Jew-ish victims of Nazi persecution was unfair and demanding assistance for other victims.

The resolution said German compensation to Jews was "unjust with regard to the representatives of other nationalities who fought and suffered equally during the Second World War."

The Duma plans to ask the German government to compensate all Russian victims of Nazi persecution. The resolution was unclear about how much Russia would ask for and who would get the money. (AP)

#### Polish Farmers Lift Some Roadblocks

WARSAW - Polish farmers demanding higher prices lifted some road-blocks Wednesday but warned that they

may step up the protest again.

Police said about 2,500 farmers continued to block roads in 70 spots, down from 130. Andrzej Lepper, leader of the radical union Self-Defense, which organized the protest, said it would peak Wednesday.

The government has declared the blockades illegal and threatened to use police to disperse the protesters, who have been hindering road traffic since Monday. The farmers are demanding a Monday. The numbers are ban on agricultural imports, which they

#### Chretien Favors Study Of First-Use Policy

BONN - Prime Minister Jean Chretien of Canada said after meeting Chancellor Gerhard Sehroeder that be favored an open discussion on whether NATO should alter its policy oo the use of ouclear weapons.

Germany raised a storm in NATO last year when its oew center-left governmeot suggested NATO should promise oot to be the first to use ouclear weapons in a conflict. The United States and other NATO allies firmly rejected the

proposal. "The NATO partners should take another serious look at that document and then reach a decision," Mr. Chretien said. "Right now this issue is creating problems, but I think that both Canada and Germany are ready to dis-

## ground on the key issue of the 1972 Anti-Ballistic Missile Treaty, which the against crime and terror.' directed at you and, anyway, it's partly your fault, because you are the ones Asked if the time has come to return to selling Iran the missile technology a policy of "containment" of Russia, she United States is proposing to amend and technology to Iran, we will cut off your authority to launch high-orbit U.S. comcuss it, while some other partners do not even want to address it. (Reuters) Primakov to revise or withdraw his stability initiative. Russia wants to preserve unchanged. CNNfn.com Exclusive World Economic Forum coverage Weeknights 20.30 & 23.00 **CET** INTERNATIONAL

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#### INTERNATIONAL

## Iraq Pledges 'All Means' To Combat U.S. Flights

BAGHDAD — Iraq vowed Wednesday to use "all means" to combat an escalation in the U.S. air campaign as its Parliament called for uprisings in Kuwait and Saudi Arabia.

The 250 members of Parliament, meeting in special session, voted by a show of hands on a resolution calling on the Arab people who protested against U.S. and British strikes last month "to overthrow these regimes" in Kuwait and Riyadh.

"Hired regimes who have directly or indirectly assisted in the aggression should be considered part of an imperialist plot against the Arab nation,"

In Cairo on Wednesday, Secretary of State Madeleine Albright expressed regret for the death of Iraqi civilians. Iraq said 11 civilians were killed

Monday when a U.S. missile crashed into a densely populated area near the southern city of Basra, reducing several homes to rubble, and the Pentagon has admitted that a stray U.S. missile with a 2,000-pound warhead exploded in a residential area.

We regret the stray missile on Basra that killed several civilians," Mrs. Al-

The use of force is not our preferred mechanism," she said, adding that the United States would continue to seek Iraqi compliance with UN Security Council resolutions that they stop developing weapons of mass destruction. After meeting in Cairo with President Hosni Mubarak of Egypt, Mrs. Albright flew to Riyadh.

U.S. fighter jets struck Iraqi positions for a fourth consecutive day on Tuesday as U.S. and British planes patrolled noflight zones. But there were no reports of incidents Wednesday.

The Iraqi Parliament also called anew fur Arab countries to lift the international embargo on Iraq "unilaterally and immediately" and to condemn the U.S. and British attacks and the no-flight

zones they enforce, Vice President Taha Yassin Ramadan proclaimed defiance.

'Iraq will use all means and all its capacities to face up to the U.S. and British planes, which are violating its airspace and sovereignty," he said on Iraqi television.

Referring to U.S. forces based in Saudi Arabia, he said Baghdad held the UN Security Council and pro-U.S. Arabileaders to blame for "damages inflicted

by these aggressive actions."

President Saddam Hüssein called Jan.

5 for other Arabs to overthrow their leaders, particularly in Saudi Arabia, which like Knwait allows U.S. and British forces to use its air bases. Sandy Berger, the U.S. national so-

curity adviser, disclosed that U.S. pilots had been operating under expanded rules of engagement since a four-day air campaign in December.

A Pentagon spokesman, Kenneth Ba con, said, "We are going after parts of the system that we think we can successfully attack and degrade. We are attacking the system quite broadly."

Meanwhile, Foreign Minister Kamal Kharazi of Iran called on the United States to apologize for an Iraq-bound missile that landed in an Iranian border

"The United States should present its apologies and repair the damage in-curred," he said.

# Devil Gets His Due, but Catholic Church Updates Exorcism Rites

By John Tagliabue
New York Times Service

ROME — Reaffirming that the devil exists and is at work in the world, the Vatican has issued a revised rite of exorcism, the Roman Catholic ritual for driving out demons

In an apparent effort to placate liberal Catholics urged those performing exorcisms to take pains to distinguish between possessed people and those suffering from forms of mental or psychological

remains a source of theological debate, and in be vexed by demons who are suffering above all

sought to play down its significance without shaking the foundations of belief in a personal source of evil in the world.

By revising the rite of exorcism, the Vatican was following a mandate of the Second Vatican Council, which met from 1962 to 1965. It also embarrassed by a practice that seems to echo took the opportunity to urge priests and bishops to medieval superstition, the Vatican on Tuesday seek professional medical assistance in cases where the true nature of what seems to be diabol-

ical possession is in doubt.

In a Latin text titled "De Exorcismis et Supillness.

Exorcism is an ancient practice of driving the devil from people believed to be possessed. It

recent years, despite its renewed popularity in the United States and elsewhere, the church has sought to play down its significance without shak-The 84 page Latin text, which Pope John Paul II approved before he left for his visit to North America, contains prayers and rites for driving out devils, but also for cleansing places and things of

demonie influence. Cardinal Jorge Artnro Medina Estevez, head of

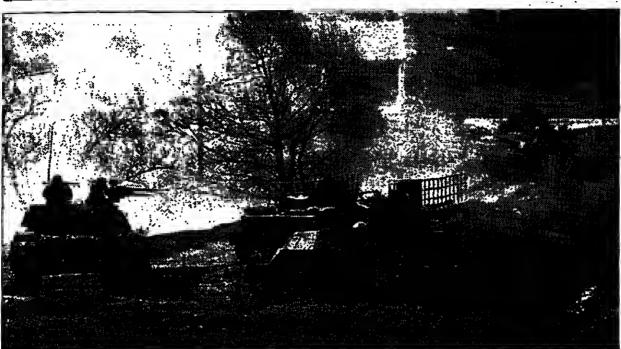
the Varican congregation responsible for religious rites, said genuine possession could be recognized by various criteria, including the use of unknown languages, extraordinary strength and the dis-elosure of hidden occurrences or events. He also

By issuing the text, which replaces a 1614

version, the Vatican reaffirmed the existence of

Cardinal Medina Estevez acknowledged that the devil. many modern Catholics no longer believed in the devil, but he called this a "serious fault in religious education," adding that the existence of the devil
"belongs to Catholic faith and doctrine."

Issuing the revised text could "provide some incentive for the appointment of more official exorcists," said Michael Cuneo, a Fordham University according to the control of the control o versity sociologist who is writing a book on exorcism in American culture. But he said that despite a "flourishing market for exorcisms," most Catholic bishops in the United States considered exorcism "to be antiquated, to be an embarrassment, to be a survival of medieval su-



Yugoslav tanks and armored vehicles engaging ethnic Albanians on Wednesday in the village of Donje Ljupce.

## U.S. to Trim Troop Level in Bosnia to 6,200

By Bradley Graham Washington Post Service

WASHINGTON - The size of the U.S. military contingent in Bosnia will shrink from 6,900 to 6,200 personnel over the next two months as part of a NATO decision to trim its 32,000-strong peacekeeping force by 10 percent.
Samuel Berger, national security adviser to President Bill Clinton, said

Tuesday that the decision reflected a sense "that we are steadily making progress in Bosnia, that the military needs

nesday. Five Yemenis were abducted along with the Germans on Tucsday evening, the German Foreign Ministry said.

A government official confirmed the kidnapping, but refused to provide details.

In Bonn, a Foreign Ministry spokesman, Martin Erd-mann, said the hostages were a 30-year-old German aid

worker, her Yemeni husband and their three children, the

aid worker's brother and his wife, both German nationals,

who were kidnapped on Jan. 17 are being held, the tribal freed.

to the former Yugoslav republic after the 1995 Dayton peace agreement that ended three and a half years of war.

The Clinton administration has continued to extend the U.S. military presence well beyond what initially had been intended as a one-year deployment. But it has also gradually reduced the size of the force from its original strength of about 20,000 troops.

With a growing possibility that U.S. forces may be called on within the year to join another NATO peacekeeping op-eration in the Balkans, this time in Kosovo, Pentagon officials are eager to The NATO-led Bosnia force was sent reduce the commitment in Bosnia.

Yemeni Tribesmen Seize 8, Including 3 Germans

The hostages have been taken to Al Jawf in northern killed oo Dec. 29 as Yemeni troops exchanged gunfire with

The kidnappers' demands were not immediately and a man traveling on a French passport with plotting

when the trial resumes.

Yemen, where a British couple and a Dutch family of four the kidnappers during a rescue operation. The others were

SAN'A, Yemen — Yemeni tribesmen have kidnapped Services, the German government aid protection of the Germans, government and tribal officials said Wed-

But continuing tensions between Bosnia's Serbian, Muslim and Croatian inhabitants have made alliance anthorities cautious about shrinking the peacekeep-

ing force too quickly.

Mr. Berger noted that while the military threat had diminished, "serious" challenges" still faced civilian organizations working to establish a stable political system and rebuild Bosnia.

Pentagon officials said the drop in the U.S. troop level would be achieved mainly by closing Camp Bedrock, about 60 kilometers (35 miles) from the headquarters of U.S. forces in Tuzla. This would leave four camps.

The aid worker was employed by German Development Services, the German government aid program. Her brother

Sixteen Western tourists were abducted last month in

Yemen, meanwhile, on Wednesday charged five Britons

Entering a courtroom under tight security in the southern

city of Aden, the defendants shouted to journalists and

family members that they had been tortured and prevented

from speaking to lawyers. They pleaded not guilty.
The hearing was adjourned until Saturday. The judge

asked the prosecutor to call witnesses and provide evidence

sabotage. The six have been held in Aden since Dec. 24.

Yemen by a fundamentalist group. Four of the captives were

## Continued from Page 1

engaged in mediation — the United States, Britain, France, Germany, Italy and Russia. The contact group is to meet Friday in

London. The peace plan was expected to take the form of an international conference that would be imposed on both Serbia and the Kosovars with a pre-arranged result — self-rule for Kosovo's ethnic Albanian majority, leaving Belgrade in charge only of international affairs for

Washington also wants NATO to insist on further Serbian troop pullbacks in Kosovo to make it impossible for Presdent Milosevic to mount a new of-

fensive there. British officials said that they were working on plans for a Kosovo peace conference in two weeks — to be announced by the contact group on Fri-

day.

To be held in Vienna under the auspices of the Organization for Security and Cooperation in Europe, the conference would work out details of an

autonomy plan for Kosovo.

A broad outline of the plan has already been formulated by the U.S. mediator, Christopher Hill.

Washington wants the contact group to insist that Belgrade commit itself immediately in principle to recognizing self-government in Kosovo—the "hard package," a U.S. official said, that could be fleshed out with a soft package of

details left for negotiation.
Otherwise, Mrs. Albright has said through aides that she will not attend the

The United States agreed to include the contact group under pressure from allied capitals, especially Paris, which wanted European prominence in any intemational action and were anxious to avoid letting NATO set the agenda, as Washington initially preferred.

Beyond the Kosovo crisis itself, the

role of NATO in acting independently of the United Nations has become an issue ahead of the summit meeting of member states in April to set alliance strategy. At this juncture, the European allies argued, NATO would need a new au-

thorization from alliance governments before threatening to attack Serbia over oew demands - in contrast to the U.S. view that NATO now has an ongoing mandate on Kosovo.

As a result, the ultimatum will probably focus on Serbian compliance with the October cease-fire, leaving a door open to expand allied military pressure to cover new demands from the contact group, European officials said.

A compromise along these lines would offer the Clinton administration the advantage of keeping a common froot against Serbia, a point suggested Wednesday by the State Department

KOSOVO: U.S. Presses for a United Stand spokesman, James Rubin. "The more credible the threat, the more likely that we can succeed in the political ubjec-

tives," he said.

But the two-step approach carries a risk because the contact group includes Russia, which has opposed any NATO intervention in Kosovu and might block

a consensus.

Even though Mrs. Albright apparently failed to change Russian attitudes on the issue during her talks in Moscow, U.S. ufficials insisted Wednesday that Russian opposition would ultimately drive the European allies to agree to use force if necessary — as they did in October — overriding Russian objections.

Only quick recognition of Kosovo's autonomy, imposed by a united Western front, offers any hope uf breaking the spiral of violence, U.S. officials said.

## Angola to Seek **Pact With Rebel** Splinter Group

LUANDA, Angola — Angola's government Wednesday abandoned a four-year-old peace accord with the mainstream UNITA rebel group led by Jonas Savimbi, saying it would seek agreement now with the renegade UNITA Renovada group in Luanda.

Faustino Muteka, minister for territorial administration, said the government would conclude the Luanda Protocol only with the Renovada group of the National Union for the Total Independence of Analysis

The protocol is the UN-brokered peace accord, signed in Lusaka, the Zambian capital, in November 1994, with the goal of ending nearly 20 years of war between the govcomment and Mr. Savimbi's rebels.

UNITA Renovada, led by former Savimbi aides, rebelled against their veteran leader in September after accusing him of working against

But analysts say the group has no real power base and that its recognition by Luanda would have no bearing on Mr. Savimbi, who controls more than 30,000 troops.

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Government officials said Wednesday that Savimbi forces had overrun a key northern city, giving them control of a large area from which they might launch attacks on foreign oil installations.

Mr. Savimbi's rebels took control of Mbanza Cougo, oear Angola's northern border, on Tuesday, the officials said. (Reuters, AP)

## CLINTON: Partisan Senate Vote Seems to Assure Acquittal

and the group's Yemeni driver.

official said.

known.

#### Continued from Page 1

call witnesses. "If they vote to call witnesses," Joe Lockhart, the White House spokesman, said earlier Wednesday, "they are voting in effect to extend this."

Mr. Clinton, continuing a busy schedule of public events, returned Social Security retirement program at a White House meeting.
White House aides said the vote

reconfirmed that the impeachment process had been largely partisan.

Mr. Daschle hammered at that

"These articles never contained impeachable offenses," he said. "The impeachment process has been abused by a partisan effort and we should bring it now to a close. The president's behavior was indefensible, not impeachable. The defensible, not impeachable. The "White House lawyers will not and Mr. Daschle, urging them to president should not and will not be ready" if the Senate calls for broker an exit strategy. Closed-door removed from office."

He said Mr. Clinton should, motion to censure the president.

Approval of the motion on witnesses gave Republicans, however, have had for months." something to cheer. Representative "This is like blind

ship with Ms. Lewinsky, a White House intern at the time.

one of the most divisive that senators faced. The president's aides have said that preparing for wit-nesses would require the time-consuming review of more than 50,000 pages of yet-unseen documents compiled by the independent coun-sel, Kenneth Starr, during his in-vestigation of Mr. Clinton.

depositions of the three witnesses to meetings between varying groups of six hours, with each side given an witnesses for Mr. Clinton. An exmove ahead this week, said Mr. senators continued through the equal opportunity to pose questions. tension would be needed if the however, receive "sanction and re-buke" and said he would support a man. They will not be ready, he said,

'shows the strength of the man-

agers' case.' The motion to dismiss had been submitted Monday by the West Virginia Democrat, Senator Robert Byrd. Its defeat echoed the largely party-line votes in the House last from St. Louis, Missouri, and a month for articles of impeachment, meeting with Pope John Paul II to which charged Mr. Clintoo with peroutline his recent proposals on the jury and obstruction of justice in Social Security retirement program attempting to conceal his relation-

The question of witnesses was

"White House lawyers will not depositions of the three witnesses to antil "they have a chance to see the documents the House managers

Asa Hutchinson of Arkansas, one of Mr. Lockhart said, "and it's likethe House prosecutors, said that vote asking the president's defenders to go into a process knowing far less than what the prosecution knows." He would not say whether the White House would demand more time to

prepare. The Senate could accept or reject such a request, though the White House could seize on a rejection for political gain, saying it proved the proceedings were unfair.

The House prosecutors, and several Senate Republicans, have ac-cused the White House of bolding the threat of a drawn-out trial as a blunt weapon over senators' heads. There had been speculation Tuesday that the two votes would be postponed while efforts to forge a

new bipartisan trial plan continued. After closed-door debate Tuesday evening on the witness motion, about 20 members of both parties surged forward to surround Mr. Lott each party sitting in. The testimony

"This is like blindfolding us." for both sides, with one senator from live testimony.



Senators Fred Thompson; Don Nickles, the majority whip, and Jon Kyl leaving a Republican caucus on the trial Wednesday.

would be videotaped.

morning Wednesday.

Tapes and transcripts of the interThe Republican proposal that was gaining closest attention called for the three witnesses to be deposed to the three witnesses to the three witnes

John Czwartacki, a Lott spokesould be videotaped. man, said the proposed schedule
Each deposition would last about would not allow time for defense

this weekend in private by lawyers Tuesday, whether to follow up with of Vermont, said he was concerned that Republicans were telling the president, "We want to have our witnesses but you don't need to have your witnesses."

There were other obstacles to the Republican plan. Mr. Bhunenthal's attorneys were reported to be in the middle of a trial, expected to end oext week, and said they would not have time to prepare him for de-position by this weekend.

Mr. Jordan was out of the country

and it was miclear when he would return. Ms. Lewinsky left Washington on Tuesday to return home to Los Angeles, although she could return at any time.

House managers said that if subpoensed to appear, the three would have no choice but to do so.

#### BRIEFLY

### Netanyahu Rival Joins Cabinet

JERUSALEM — Prime Minister Benjamin Netan-yahu's mentor-turned-rival was sworn in as the Israeli defense minister in Tel Aviv on Wednesday after the

Knesset approved his nomination.

The new defense chief, Moshe Arens, 73, a veteran politician and member of Mr. Netanyahu's Likud bloc, challenged the prime minister in party primaries this week, expressing concern about the direction of Likud after a series of defections by members.

It was Mr. Arens who brought Mr. Netanyaho into Likud in the early 1980s. Mr. Netanyahu, who is eager to demonstrate that he can command party loyalty even from his critics, nominated Mr. Arens a day after defeating him in the primaries. Mr. Netanyahn received about 80 percent of the vote.

### 9 Europeans Missing in Congo

POINTE NOIRE, Republic of Congo - Nine Europeans, including two priests, have been missing since Monday night in the southwestern Dolisic region of the Republic of Congo, where troops and militiamen loyal to former President Pascal Lissouba clashed Monday and Tuesday, a European source said Wednesday.

Missing were five French nationals, a Dane and a German working for the timber company Socobois, as well as a French priest and a Swiss priest, said the source, an employee of a company operating in the area. Details on the captives and the circumstances of their

disappearance were sketchy. The company employee said the priests had fled the fighting in Dolisic and taken refuge in the bush.

(AFP)

## New Push to Protect Antarctica

MCMURDO STATION, Antarctica - Antarctic Treaty countries pledged Wednesday to increase efforts to restly continues prouged weathestray to increase entors to reinforce the 40-year-old pact, which is designed to protect the continent's fragile environment.

Government representatives vowed to combat illegal fishing, in particular overfishing of the Patagonian tooth-

A communiqué noted a trend toward recognition of Antarctica as an ecosystem that included both the land and surrounding seas. The treaty has been signed by 43 countries. Twenty-four of them sent representatives to a one-day meeting at this U.S. research station. (Reuters)

#### Genes Absolved as Main Culprit in Parkinson's Disease The study also suggests that research should white male twins who fought in World War II

By Thomas H. Maugh II Los Angeles Times Service

LOS ANGELES - Most cases of Parkinson's disease are not caused by a defective gene, but rather by exposure to as yet unknown chemicals in the environment, scientists reported

The discovery should provide some comfort to family members of Parkinson's victims who bers of twins, scientists have long suspected

Genetics is a factor, however, in the relatively small number of patients — less than 10 percent — whose familial Parkinson's begins

gene that has already been identified.

Based on previous studies with small num-

focus on potential environmental causes, such as pesticides and herbicides, the team said.

white made twins who abugut it is a seems to confirm that definitively.

Dr. Caroline Tanner and her colleagues at the

Parkinson's Institute reported Wednesday in the Journal of the American Medical Association that the disorder most commonly affected only under the age of 50. Their disease is caused by a one member of a twin pair. If the disease were genetic in origin, both members of a pair of

identical twins would be expected to develop it. Parkinson's disease results from the death of fear for their own future health, said the research team, from the Parkinson's Institute in Sunnyvale, California.

The new study of nearly 20,000 realts of the controlling movements.

Angola to Seek

Part With Rebel

Splinter Group

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## **CribTech**

# When HAL Met Sally

## Talking Systems Spur **Automation of Homes**

By Peter A. McKay ashington Post Service

ASHINGTON - Timothy Shriver's chil-ASPINGTON — Timothy Shriver's children think "Sally" is alive. She knows their names, where they go to school and what color their eyes are. When they lounge on the living-room couch or sit at the dinner table, they need only ask aloud whether Sally remembers such details, and her voice will float through an intercom with the answers.

But there is only a personal computer at the other end. Sally is the family nickname for the software that has automated the Shriver house.

With spoken commands, family members can turn up the heat, turn off a light or turn on the security system or videocassette recorder.

The system also can read out stock information it downloads from the Internet and from an electronic Rolodex - including the data on the children that Mr. Shriver has put there as a test.

Mr. Shriver has put there as a test.

Mr. Shriver is chief executive of Home Automated
Living LLC, the company based in Lanrel, Maryland, that created Sally. He is hoping that recent
advances in speech recognition and the popularity of
personal computers will breathen new life into home automation, an idea that has been around for decades. Many outside industry experts express a similar

By avoiding expensive rewiring and complex controls, Home Automated Living hopes to make integrated home systems common in middle-class houses, not just the mansions of technology gurus such as Bill Gates, chairman of Microsoft Corp.

"People have a lot of devices around their houses that don't talk to each other," Mr. Shriver said, "We think if we can show them the convenience and advantage of integrating them, they will be interested

OME AUTOMATED Living released its first program, HAL2000, a little more than a year ago and has about 2,300 users so far, company officials said. It runs on ordinary personal computers and can be controlled through commands that are picked up by microphones around the house

or spoken over the telephone.

Mr. Shriver said HAL2000 expanded on the traditional idea of simply turning gadgets around the house on and off. It can dial into the Internet periodically to check news, weather, television listings, sports and stock information. It also can be programmed to notify homeowners by beeper or spoken reminder if a stock fluctuates outside a particular

price range.
The \$399 HAL2000 includes several hardware adapters for light sockets and phone jacks: George-Snyder, the company's marketing director, said that with additional outlet adapters and labor, it would cost about \$1,000 to wire the security system, eutertainment center and lighting of a three-bedroom

home to HAL. Hungjun Li, an analyst for Parks Associates, a Dallas-based technology-research concern, said price gave the program an advantage over similar systems that have started at \$10,000.

But he said cost was not the only reason such systems have not gained wide popularity with con-

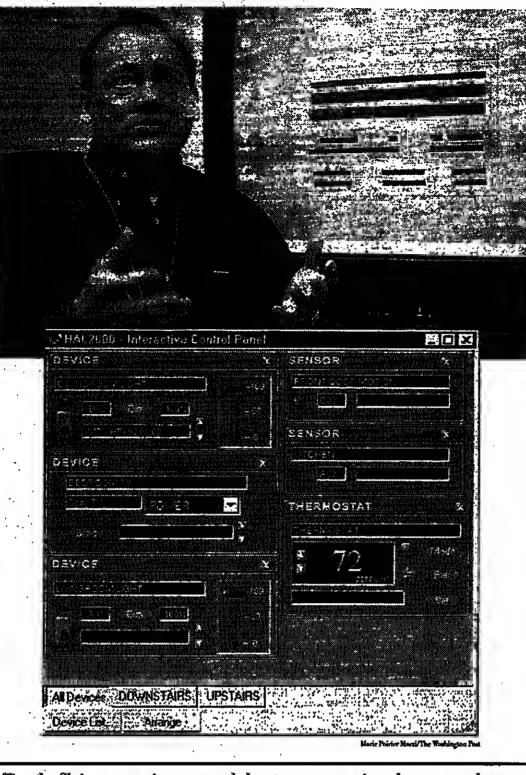
"A lot of people don't understand what home automation is for, or they may think they don't need it," Mr. Li said. "And to be honest, the industry has done a bad job of explaining the benefits."

Charles McGrath, executive director of the Home Automation Association, said the public had not yet considered the convenience and safety aspects of

For example, he said, a Washington resident could close mechanized storm shutters at a vacation house in Florida with a phone call when a hurricane was

Mr. Snyder of Home Automated Living said:

"Look at the TV remote control. No one would have user-specific.



Timothy Shriver says voice-commanded systems are a major advance over those. that made users go to a keyboard. Just by speaking, homeowners now can turn up the heat, turn out the lights or turn on a home's security system.

Mr. McGrath said home automation began to spread in the early 1980s, when builders and equip-you were going to do that," he said. akers locused on sy through keypads or acted as glorified timers for one or two home devices. These early systems tended to be put into homes that cost \$1 million or more, he

Now that the proliferation of personal computers and the Internet has standardized home-automation technology somewhat, it is more flexible and more

Mr. Li estimated there were about 1.8 million users of devices that control multiple elements, up from 1.4 million a year ago.

T THE Shriver home, users first must say A "Hello, Sally" to get the voice-activated system ready for work.

After that, they might give it other set commands or speak in ordinary English: "Turn on the livingroom light," or "Turn on the living-room light for 10

The system recognizes multiple voices and is not

"thought you'd ever actually feel a need for that I." Mr. Shriver said voice recognition was a major "think this will grow in the same way, even though its "advance for home systems, which previously exuse it's hittle more substantial home substantial home."

If the said the said home substantial home substantial home substantial home. 'It'd be just as easy to go over to a light switch if

> ried Home Alkomated Living 1994 after he sold Softee Systems Inc., which automated newsrooms at television stations. He said his new company was profitable, although he would not disclose specific financial results for the 12-employee firm.

Mr. Shriver said the company this year would release a scaled-down version of HAL to be included with new computers and an \$899 custom version for builders of new homes.

But company officials said their core business would remain HAL 2000, which is aimed at converting existing homes.

And they shrug off comparisons of the product to Hollywood's fictional HAL, a speaking computer that murdered an astronaut in the movie "2001: A Space Odyssey."

Mr. Shriver and Mr. Snyder said their use of HAL was only a logical extension of home-automation And, Mr. Snyder said, "we like to think this is

what HAL should have been."

#### BRIEFLY

Proponents of the Linux operating sysiem would rather not have Microsoft Windows on their personal computers, and they would definitely rather not pay for Windows, which is standard issue on most PCs. Now, with a militancy that seems to be part of the movement, a band of Linux users plans to demand its Windows money back.

The users are hoping to use a loop-hole that they say they have found in the end-user licensing agreement for Windows, which says, in effect: If you do not agree with the stated terms and conditions, do not use the software. Those who do not agree with the terms, the agreement states, should "promptly contact manufacturer for instructions on

North America

TECHNOLOGY

Technology stock indexes around the world:

MORE SCORN FOR WINDOWS: return of the unused product(s) for a already purchased Windows, presum refund."

A handful of Linux aficionados have declared Feb. 15 "Windows Refund

Day."
"We're going to quietly walk up to
the Microsoft office, and people are going to turn in their disks, manuals and certificates," said Don Marti, a leader in the Bay Area Windows refund campaign in Northern California, "and they're going to get a check."

Microsoft Corp. is not sure about that. Tom Pilla, a company spokesman, said the end-user licensing agreement was intended only to ensure that people used Windows properly and did not make illegal copies. "By the time they're reading the end-user agreement, they've

Pct. change, year to date

INDEX

previous week

ably consciously," he said.

THE STUDENTS' CHOICE: Use of the Internet as an educational tool by college freshmen has become so pre-valent as to be practically a way of life, a survey of college freshmen shows. A huge 82.9 percent of first-year su-

dents say they use the Internet for research or homework. Nearly two-thirds, 65.9 percent, report that they communicate by e-mail.

But there is a great disparity by type of college. Among students entering elite private colleges, 80.1 percent they use computers regularly; at traditionally black public institutions, 41.1 percent say that.
"The disparity came as a kind of shock," said Alexander Astin, who founded the annual poll of freshmen

conducted by researchers at the University of California-Los Angeles. Craig Runde, director of the International Center for Computer Enhanced Learning at Wake Forest University in

North Carolina, was emphatic about the importance of Internet use to students. The Internet will not mean the disappearance of books and libraries," he said, "but if you don't have access to it, your work will suffer in comparison with those who do. It's like not having a telephone. You can get along by using

the telephone booth on the street corner, but not very well." The survey, which has been taken yearly since 1966, is sponsored by the American Council on Education and the Graduate School of Education and Information Studies at UCLA.

The survey of this year's entering class got responses from 275,811 students at 469 two-year and four-year colleges and universities in the United

The data were statistically adjusted to be representative of the 1.64 million students who entered as first-time, fulltime new students last autumn. (NYT)

COMPANIES SIGN ON TO SUN: Hoping to herald the post-PC era, Sun Microsystems Inc. announced 35 licensees for its Jini software - an extension of its Java programming lan-guage that is intended to allow devices as diverse as computers, cellular phones and kitchen appliances to exchange information and work together via wired or wireless networks.

With consumer-electronics and appliance companies, telecommunications manufacturers and computer makers - including America Online, International Business Machines Corp. and Sony Corp. — endorsing the Jini software standard, Sun executives plan a new style of computing that will not depend on desktop personal computers. Mike Clary, general manager of Sun's Jini business, said the first Jini-enabled products would be on the market by the end of the year.

Sun executives contend that Jini now has a demonstrable lead over a similar network initiative that Microsoft announced this year. Unlike Jini, which

stem the wild price swings that have become common on the first day of trading of some Internet companies, the Securities and Exchange Commission approved a rule extending to 15 minutes the period for which market makers must post prices for shares in initial public offerings on the Nasdaq stock market

trading firms that match buyers with sellers or take the other side of trades to ensure a liquid market posted prices just five minutes before an initial offering started to trade. The new rule also gives Nasdag officials the power to extend the time to 30 minutes.

## **Putting People First**

#### Taiwan's Human-Friendly Technology

By Thomas Crampton

AIPEI — The powerful organization that steered Taiwan to dominate global computer production has now set its sights on humanfriendly technology.
"The voice is loud for technology

development in all industrialized countries, but we think the concerns of society and humans have been not been heard," said Hwang Jenn-tai, the theoretical chemistturned politician who beads the cabinet-level National Science Council and

year ago.
"Instead of just making smaller cell phones and faster cars, we want companies, students and people to concentrate on technology that makes life more convenient for hu-mans," he said. "New technology development

who lannched the project a

too often forgets about improving people's lives. It is a very worrying trend.

Already under way in the initiative which has been dubbed "Technology for Humanistic Concerns" - are projects to develop technological solutions to human handicaps, a large-scale test of nonpolluting electric motorcycles and the creation of a digital museum on the

The National Science Council's broad role in funding and directing research and development throughout the island means the initiative will be felt from classrooms to product commer-cialization, particularly for export. The powerful council has sole responsibility for funding Taiwan's universities, ap-proving all scientific research and operating the highly successful science-

based industrial parks.
For technology to help overcome human handicaps, the council has more than doubled annual spending on research to 95 million Taiwan dollars (\$2.9 million) and created a framework to unite formerly disparate and uncoordinated efforts.

"I really dislike terms like 'handi-capped' and 'disabled,' " Mr. Hwang said. "Strictly speaking, everyone with bad eyesight is handicapped, but thanks to the technology of glasses, this condition no longer matters."

Last year, the council sponsored a

minated in a four-day public conference that attracted several thousand visitors.

At the university level, the council has launched a design competition for stu-dent teams to create simple tools to assist the disabled. One member of each design team must have a disability, and the prizes, to be awarded in May, include \$1 million donated by Hewlett-Packard Co. The council also set up an Interpet

site recently to help the dis-abled find help and share solutions to difficulties. To study the best ways of en-couraging pollution-free transportation, the council has begun an electric-motorcycle project in the Hsinchu Science Park.

Installation of the infrastructure for electric vehicles, including plugs and parking spaces, is to be completed within two months, and park anthor-Hwang Jenn-tai says technology should park's 30,000 motorcycle commuters to electric ve-

hicles by 2001.
With an estimated 13 million motorcycles for a population of 21 million. people, the temperate island has one of the world's highest densities of small combustion vehicles in the world.

make lives easier.

To popularize the notion that tech-; nology should serve the humanities and ; secure a role in education, the science council is spending 40 million dollars this year to start an interactive digital museum on the Internet.

THE PROJECT will link and organize Internet sites from Taiwan's museums and universities: as well as commission original work from professors intended to present their knowledge in a manner accessible. to the general public.

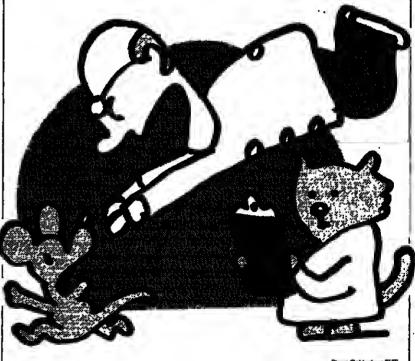
Taiwan, for example, is famed for its butterflies, so a top lepidopterist has been commissioned to catalogue the na-

while the government now provides funding and impetus for the project, Mr. Hwang envisions more participation from the private sector and nongovernmental accordance as his idea. ernmental organizations as his idea

gains currency. "We are not unrealistic," he said. We are trying to induce a cultural change of outlook on technology that will not happen overnight. But we want to build a structure that will allow longterm dissemination of the idea that the series of workshops on technology to first purpose of technology is to serve overcome specific disabilities that cul- people, not the other way around. d mird. 19. PA 10-bal boodii 1008 nas see

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#### **ALT** /Patents



## Better 'Ears' for Radar

#### Technology Aims to Make It More Cat-Like

By Teresa Riordan New York Times Service

TEW YORK — Can understanding how a cat pounces on a monse help an air traffic controller spot incoming planes? Or make a difference in the way a military pilot locates a ground target? Or improve a weather forecaster's ability to identify lightning strikes? Yes, according to Alianna Maren, a

senior scientist at Accurate Automation Corp. in Chattanooga, Tennessee. Ms. Maren has patented a technology that she says enables radar to become more precise by integrating different types of "returns" in much the way that a person, or a cat, integrates the perception of different senses.

"A cat who is hunting, let's say, will use both its auditory and visual senses to be able to detect the

mouse," Ms. Maren said.
"In every mammalian brain, there's a special portion of neural tissue called the superior colliculus. What that portion of the brain does is take in auditory, visual and tactile information and fuse that information together," she said. "We have taken some basic principles of how the brain works for sensory fusion and then put that into the computer, mimicking the same action.

For example, Ms. Maren said, ber

system could integrate information emitted from an airplane transponder with radar images of the plane taken at an air traffic control center.

"The transponder gives the identification of what the aircraft is but gives a less specific location for the aircraft," she said.

"The radar gives a more accurate location for a target but wouldn't be able to say what the aircraft is." By putting those two sets of information together, she said, she can eliminate background "noise" created by buildings or ocean waves or weather disturbances and thus get an accurate picture of the plane and its location.

URRENTLY, according to Robert Pap, president of Ac-curate Antonation, beyond about 35 to 40 miles (56 to 64 kilometers) a plane may not be exactly where its picture on the radar screen shows it to be.

He said statistical models had been used to project true locations of distant objects identified by radar, "But those methods require a prior knowledge of conditional probability distribution," Mr. Pap said. "That means you have to know the likelihood of what's out there. But because the situation is changing all the time, you couldn't use those methods with any reliability."

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will work with a variety of operating systems, Universal Plug and Play will run only on Microsoft operating sys-STEADYING THE IPOS: Acting to

before those shares begin to trade.
The change took effect Tuesday. Under the old rules, the professional

## **The Security Council**

You may not have heard or read much about Ambassador Richard Butler's latest report to the UN Security Council, and that is exactly how the Security Council wants it to be. Mr. Butler, the Australian diplomat charged with overseeing the purging of Iraq's weapons of mass destruction, submitted a 250-page document on Monday that is full of uncomfortable truths. Security Council members, more interested in playing make-believe than in standing up to Saddam Hussein, disparaged the report, with Russia and China leading the closed-cyes brigade. Their susceptibility to Iraqi propaganda cannot change the facts that Mr. Butler and his arms control experts present in stark and unemotional detail.

The first myth punctured is that Saddam Hussein no longer presents much of a threat — that he has, as claimed, destroyed his chemical and biological weapons and the missiles to deliver them. Mr. Butler offers persuasive evidence that Iraq's arsenal may still in-clude VX nerve gas, missile warheads of biological weapons, aerial bombs filled with chemical weapons, artillery shells containing mustard gas, and more. Last summer, for example, UN inspectors uncovered a document detailing how many chemical weapons bombs Iraq had used in its war with Iran during the 1980s. Iraqi officials snatched the document away, but not before inspectors saw that Iraq had used 6,000 fewer bombs than it had claimed, meaning that many remain unaccounted for.

Similarly, Iraq's apologists at the United Nations would have you believe that Saddam Hussein by now has cooperated pretty well with the inspectors, who just don't know when to quit. Mr. Butler's report makes clear that a pattern of concealment that began in 1991 has never ceased. In that year, shortly after Iraq's defeat in the

cluding the telegenic deputy prime minister, Tariq Aziz, decided to offer up only part of Iraq's proscribed ar-scnal, while pretending full cooper-ation. A high-level defection in 1995 forced Iraq to admit the deception and hand over thousands of documents. But that 1995 "admission" was in fact a further deception. UN inspectors have evidence of "several shipping containers" of documents being hustled away before the handover. Iraq has yet to account for those and many other missing documents.

The third myth popular these days is that UN inspectors could move from active disarmament to more passive monitoring and still contain the Iraqi threat. In fact, monitoring is problematic in the best of circumstances. If sanctions are lifted and Iraq can import anything, it would become far more difficult. If monitors do not have an accurate baseline knowledge of Saddam Hussein's arsenal, it becomes harder still. And if monitors meet with the same resistance and deception with which Iraq has stymied the disarmament effort, it becomes impossible.

France, Russia and China know all this as well as Mr. Butler, of course. But they have done a good job of changing the subject — of making the UN inspectorate the villain rather than Saddam Hussein. Sadly, a major casualty of their sophistry will be the Security Council itself, which mandated, without any ambiguity, the destruction of Iraq's biological, chemical and nuclear weapons capabilities.

But this is not just some abstract question of credibility. Saddam Hussein has used these weapons; he will use them again. The United Nations can ignore Mr. Botler's report. That will not make Iraq's mustard gas any

THE WASHINGTON POST.

## The Pope's Message

Other Comment

Herald Tribune

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such plans.

North America. In recent days in Mexico City and St. Louis, he spoke halt-ingly at times and walked unsteadily. Bot his message, the primacy of the human being, rang out. Early in his papacy he attacked the dehumanization of communism, and now he sounds warnings about the human costs of hard-edged capitalism. World events have risen and fallen around John Paul. but his theme has never changed.

At his Mass in Mexico City's Ba-silica of Our Lady of Guadalupe, he attacked Latin America's free market policies for their neglect of the poor and for their "purely economic con-ception of man." He blamed globalization for causing environmental destruction and a growing gap between rich and poor. He criticized the ma-terialism inspired by the media.

When the Pope was elected in 1978. his first foreign visit took him not to his native Poland but to the Dominican Catholics than any nation except Brazil. His latest trip to Mexico was his fourth, and the country's embrace seemed even warmer for his failing health.

One his goals in Mexico was to stop the flood of millions of Catholics who have joined evangelical Protestant churches. He was also trying to attract young people to the priesthood. There is only one priest for every 13,000

Vanquish Mass Poverty

It is time we recognized poverty for

what it is: a brutal denial of human

rights for the 1.3 billion who live on

less than \$1 a day.
Incarceration by poverty can be as cruel and confining as any political

gulag, but for almost four decades the

human rights debate has been polarized

by ideology. While some emphasize

civil and political rights, others argue

that without progress in development.

the conditions for enjoyment of civil

the Cold War, but renewed efforts are

under way to bring members of the

international community back to their

original best hopes for the future - an

embracing commitment to human

rights, including the right to devel-opment. The UN Development Pro-

gram is promoting a campaign to end

The divide was unbridgeable during

and political rights could not exist.

This Wednesday, Pope John Paul II parishiooers in Latin America. Some of the church's problems stem from John Paul's conservative views on doctrinal matters, especially birth control and divorce, which have convinced many Latins that the church is irrelevant to their daily lives.
The church in the United States has

also experienced a shortage of priests, and officials are worried about Catholic adhesion among young people, whose views on premarital sex, homosexu-ality and birth control are far more liberal than those of their parents.

John Paul also sooght to warn Mexicans of the dangers of technology, which can lead, the he said, to a world without a soul. His trip, however, inadvertently reveals the magnitude of what he is battling.

He has always relied on modern media to enhance his extraordinary charisma and communication with his faithful. Before he spoke of technological dangers in Aztec Stadium, the arena's screen blazed with greetings to Western Hemisphere. His criticisms of materialism were part of a trip underwritten by Pepsi-Cola and several other companies. Pope John Paul won his battle with communism, but his struggle to mount a spiritual critique of capitalism and a global commercial culture promises to be an even more

the scourge of mass poverty within the lifetime of today's children. To date,

78 countries have national plans to

bestowed on the poor. They are human

rights, and they are as valid today as

administrator of the UNDP, writing in the UNDP magazine Choices.

they were 50 years ago.

— James Gustave Speth,

- THE NEW YORK TIMES.

# China Is Slowly Winning a Long Game for the Sea

HONG KONG — It is hard not to ladmire China's ability to play a long game on the international stage even while domestic policies are twist-ing about and instability is in the air.

The past few months have seen China take advantage of regional disorder and economic preoccupations to make the biggest strides since 1995 toward fulfilling its long-term goal of taking over the whole South China Sea. It has done so with remarkably little protest from neighbors, or indeed from major powers which have a vital strategic interest in the sea-lanes.

Far from spurring regional solidarity against China's creeping maritime hegemonism, the moves appear to have exacerbated divisions within the Association of South East Asian Nations. Yet the expansion of ASEAN to include Vietnam, Laos and Burma was speeded up by a desire of the maritime states that entry of Vietnam would enhance regional solidarity.

China has added heavily to its struc-tures on Mischief Reef, a mere 135 nantical miles off the Philippines, which it occupied in 1995. Although it pretends that these are being built by and for fishermen, none of the neighbors doubt their military function.

By Philip Bowring

China also appears to have stepped up its naval presence (frigates, supply ships and a research vessel) in the area, which is well within the Philippines' 200-mile exclusive economic zone.

The pattern dates to 1992 - offer to talk about the sea and "joint exploi-tation" with neighbors, while proclaiming total sovereignty and creating oew realities when opportunities arise.

The opportunity has been provided

by the neighbors' preoccupation with the economic crisis, the gratitude they are supposed to feel for China's defense of currency stability, and the change of government in Manila. The Philippines is not only militarily

the weakest of the littoral states. From China's point of view, its offshore rocks and reefs are the most valuable strategically. The area is not far from small offshore oil fields exploited by the Philippines but claimed by China. And 300 miles to the north are shoals where China has put down a marker; these lie almost due west of Subic Bay and close to the main shipping lane.
The Philippines was clearly unde-

cided on bow to respond to the latest

fimited whatever value diplomatic and international protest might have had.

Some in the Philippines want at least a show of resistance, and an appeal to the United Nations. Others, notably the Foreign Ministry, say that policy toward China cannot be driven just by this issue, and particularly warn against closer ties with Taiwan as a possible antidote. They favor more talks and mutual "confidence-building measures."

President Joseph Estrada wants U.S. involvement, but Manila knows it cannot expect help from its defense pact with the United States. Washington has advised "restraint." A U.S. proposal for an international forum, including itself, is a nonstarter, opposition from Malaysia and Vietnam makes it easy for China to shrug it off.

ASEAN's position looks ever less meaningful. It still talks of diplomatic solutions while Beijing creates facts. China meanwhile refuses to talk on anything other than a bilateral basis with littoral states, successfully brushing off attempts at multilateral discussions.

ASEAN's "plan of action," from its December meeting in Hanoi, calls for a

Chinese expansion. The government council to resolve potential conflicts, was apparently aware of developments long before it announced them. This with each other, even if possible, is limited whether and of China's marginal to the wider issue of China's

claim to everything.

Malaysia is currently especially keen oo dialogue rather than confrontation with China. It can afford that for now because it has spent enough to build up its own air and naval capability to deter China from making moves in its claimed area, the southernmost part of the South China Sea, which is also the richest in oil.

Vietnam has showed enough will-ingness since 1992 to resist Chinese encroachments on its southern waters that Beijing has turned its attentions to the Philippines. Manila relied for so long on the U.S. presence that it has scant way of defending itself.

But China will pick off each in turn, just as it grabbed the Paracels from a divided Vietnam in 1974, and used force against a diplomatically isolated Vietnam in 1979 and 1988 to curtail its presence in the Sprattys.

China has come a long way in the South China Sea in 25 years. At this rate the sea will all be Chinese by 2050. The long game will have paid off;

## In Iraq and Kosovo, the Battle Will Be on the Ground

WASHINGTON — Help them? Ignore them? Or do the job for them? The Clinton administration grapples with those questions as it faces separate but urgent foreign policy challenges in Iraq and Kosovo. "Them" are the indigenous

opposition forces in the two crises. They fight against separate repressive dictatorships in Baghdad and Belgrade.

They might have been called national liberation movements

in an earlier age.
In Iraq, a guerrilla army capable of custing Saddam Hussein does not exist today, largely because of past American betrayals and miscalculations. It will have to be created, a task that the Clinton administration promised congressional leaders in a private briefing in mid-January that it was now actively, if belatedly, taking on. Senators who heard Secretary

of State Madeleine Albright, Defense Secretary William Cohen and others outline the shift away from "containing" Sad-dam's forces to a new "overthrow" strategy welcomed the change. But some were skeptical about the depth of the administration's conversion.

U.S. policy does seem to have turned a corner with the Pentagon's concentrated and continuing use of airpower against Saddam's forces since midDecember. Operation Desert Fox and the retaliatory air strikes against anti-aircraft batteries that have followed "show must decide whether it favors to keep the military option on Kosovo, for reasons of regional the table," says a senior White House official.

and hurt Saddam. But airpower is not going to enforce a political solution on By Jim Hoagland

element of a serious overthrow strategy. So is returning a small number of U.S. troops to the northern braci enclave controlled by Kurdish forces.

In Kosovo, an effective, well-financed guerrilla force exists, but senior Clintonites increasingly distrust and dis-parage it. The Kosovo Liber-ation Army is fighting for independence from the Belgrade regime of Slobodan Milosevic.

"overt covert" operation — for Iraqis willing to fight Saddam on the ground is an essential and declines even to consider an "overthrow" strategy against the Serbian Communist boss. This has to do with every bureaucracy's innate caution in dealing with changes in national

> working with the vicious Mr. Milosevic is the best U.S. bet. But it also has to do with the reality that in Kosovo there is neither appetite nor convincing logic for bombing raids, even small number of U.S. troops

borders, and with individual

U.S. policymakers' belief that

the effect of bringing Kosovar independence closer, and will make widespread ethnic bloodshed more likely. That is a heavy responsibility to saddle on NATO pilots. Their political leaders have to decide

against an odious Serbian regime. Whatever Washington's

tions, bombing will have

first if independence for Kosovo is an acceptable outcome. Britain, France and now Germany have formally told the United States that they will commit ground troops to a NATO force in Kosovo if a

join that force. They are op posed to air raids alone. The Pentagon has refused o let U.S. negotiators even brin up the topic of a NATO groun force in conversations with Mr Milosevic.

Futurologists predicted the the U.S. combat soldier would have no significant role in world affairs when the Cold Wa ended, but GL Joe has move back into the strategic spotlight He is an essential link for policy in the new world disorder ethnic wars and the threat weapons of mass destruction.

## For or Against: Six Steps Toward a Kosovo Solution

By William Pfaff

PARIS — A decade ago, Slobodan Milosevic set alight ethnic Albanian nationalism in Kosovo. Nothing now is likely to extinguish that fire until the province is free of Serbian. control. The parade of officials to Belgrade to ask Mr. Milosevic to behave, and threaten him if he does not, is futile. NATO's threat to bomb Ser-

bian targets is intended to change the policies of the Milosevic government. Such bombing would change nothing important on the ground, and, as it amounts to a replay of the American policy that has failed in Iraq. would be unlikely to change Mr. Milosevic's conduct.

The international community stability, or Kosovo's independence. There unfortunately is The air campaign has rattled no third possibility.

There once was a third way, Kosovar autonomy within a me worth discussion: its own. A quick and visible Milosevic ended that compro-

leadership as well. Support for continued Serbian rule of Kosovo would find little public support in the West, and in any case would probably fail, even with Serbian police and troops employing the atrocious measures they used in-Bosnia, A nationalist dynamic defense and air control targets has been created in Kosovo that in Serbia essential to the proprobably cannot oow be stopped

until the province rules itself. The infernational community deplores Serbia's methods in dealing with insurrection, but it cannot stop them unless it changes its own policy. A ical development of the crisis, while containing the regionally destabilizing consequences that

NATO fears. The following steps seem to

Yugoslav federation, but Mr. • An international agreement, or NATO finding, that military supply program — an mise a decade ago. Now it is Serbia's policy in Kosovo, by

unacceptable to the Kosovar its war crimes and defiance of international norms of conduct, has provisionally forfeited Serbia's rights in Kosovo.

 A NATO decision to conduct air operations to interdict Serbian military and police operations inside Kosovo (accompanied by limited at tection of those air operations). This would not be an traq-style operation to "punish" Scrbia. It's purpose would be to protect Kosovars.

 A stronger version of the same decision would provide changed policy might precoupt training and arms for ethnic Althose atrocities, and could have banian forces in Kosovo, as the a positive influence on the politand Bosnian forces from 1993 to 1995.

• International recognition of the de facto control exercised by the Kosovo liberation movement over most of the province, thereby opening a dialogue to obtain from Kosovo leaders guarantees of the security and political rights of those members of the Serbian minority in Kosovo who wish to remain. (Most Serbs undoubtedly would leave. They should get security in leaving, and payment for abandoned property.)

• Declaration by NATO, the

Contact Group, the OSCE, the European Union or, preferably, the United Nations - whichever is prepared to take the initiative - that Kosovo is provisionally an international protectorate. The existing international verification corps should be redeployed as observers and potential guarantors of the good behavior of the ethnic Albanian

authorities. • The international community should hold that the final status of Kosovo will not be determined until the present government of Serbia is reliably replaced by one Which respects human rights and observes in-

ternationally established ooms in its internal affairs.

There are obvious objections to this plan, even if the international community were to ac cept the principle of an international protectorate.

The Kosovo nationalists and the Kosovo Liberation Army might not accept any limit to ependence: However, international involvement of the kind proposed would be to their advantage in the short and me dium terms. If Serbia remains intransigent, it would be rea-sonable to expect long-term provisional autonomy under in ternational protection to become de facto independence for

The KLA's political nature and may well become radicalized by events. But this is even more of a problem if the fighting continues. Heavy international involvement in the protected province would provide a counter-influence. ...

Even qualified independence for Kosovo could inflame ethnic Albanian nationalist and irredentist claims in Macedonia and in Albania itself, with possible collateral damage to Greek-Turkish relations. This is true, but the consequences aid probably more easily contained if there is a major international involvement from the start, with an international commitment to an eventual negotiated settlement taking account of regional issues.
This is merely a sketch for a

possible new policy, and is wide open to development and modification. It raises difficult problems in international law. I claim only to open a line of reflection and debate, at a moment when NATO and the international community clearly lack a program for ending this crisis, and we are drifting to ward another Bosnian war. International Herald Tribune

Los Angeles Times Syndicate.

## Globalization Needs a Human Face

By Klaus Schwab and Claude Smadja

cradicate poverty or have built poverty reduction into their development strategies; 40 more are working on GENEVA — There has been much talk straining factor. The forces of financial mar-about the necessity to remodel the global kets seem to be running amok, humbling gov-In an era of abundant wealth and financial infrastructure, to create mechanisms information, surely it is possible to vanquish large-scale poverty. And 50 for a better monitoring of short-term capital flows. The debate is now actively engaged.

years after the Universal Declaration It is crucial that emerging market economies be fully involved and that their voices and of Human Rights, surely all people are entitled to the recognition of our comconcerns be taken into consideration. The interdependence created by the globalization process means that emerging market countries mon humanity. Human development and well-being, literacy, good health and employ-ment, like civil, political and cultural have to be integrated as full stakeholders in the management of the global economy. rights, are not favors or acts of charity

The implications of their actions and policies have proved as far-reaching for global stability as the consequences of polices set in motion by some Group of Seven members.

Action at the international level has to be complemented at the national level, to create or strengthen the strong institutional and regulatory framework required for the functioning of a free market economy integrated in the global system. There is some consensus on what are the basic components of good cor-

porate and economic governance. Much remains to be done in this domain, but at least an initial impetus has been created out of necessity. The challenge here is to move fast enough so as to recreate a sense of confidence among financial operators and investors toward emerging markets.

It is also to make sure that despite the different cultural and historical backgrounds among the countries, there are enough common elements between these "softwares for globality" so that they interconnect to allow for economic activity and decisions on a global scale with a reasonable level of predictability and agreement as to the rules of the game.

We are confronted with what is becoming an explosive contradiction. At a time when the emphasis is on empowering people, on democracy moving ahead all over the world, on people asserting control over their own lives, globalization has established the supremacy of the market in an unprecedented way. The pressure for ever increasing productiv-

ity and profitability in order to face up to the

mega-competition for capital and investment

in the globalized financial marketplace is

sweeping aside any other balancing or con-

ernments, reducing the power of unions and other groups of civil society, creating a sense of extreme vulnerability for the individual confronted with forces and decision-making processes way beyond his reach. We must demonstrate that globalization is

not just a code word for an exclusive focus on shareholder value at the expense of any other consideration; that the free flow of goods and capital does not develop to the detriment of the most vulnerable segments of the population and of some accepted social and human standards. We need to devise a way to address the social impact of globalization, which is neither the mechanical expansion of welfare programs nor the fatalistic acceptance that the divide will grow wider between the beneficiaries of globalization and those unable to muster the skills and meet the requirements

of integration in the global system.

The truth of the matter is that globalization has created new and more demanding challenges for governments. They have to reinvent their role in order to help their citizens to meet the requirements of an ultra-competitive society shaped by the knowledge economy, while at the same time providing the "compassionate government" that some political leaders are now advocating as an alternative to the old dichotomy between right and left.

If we do not invent ways to make globalization more inclusive, we have to face the prospect of a resurgence of the acute social confrontations of the past, magnified at the international level. Responsible globality will have to mean not

only a financial infrastructure that works, or accepted global norms of corporate governance. It will have to mean also a "values-added" globalization that takes into account the differences in the way America, Europe and Asia set their priorities and create a common denominator of shared social and ethical values.

Klaus Schwab is president and founder and Claude Smadja is managing director of the World Economic Forum. They contributed this comment to the International Herald Tribune.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGOd #

1899: Mormon Ways NEW YORK - As a result of

the heated discussion in the newspapers regarding the eligibility of Mr. Brigham Roberts, the recently elected polygamist member of Congress, public feeling against the Mormons and their ways has become very intense. It has culminated in the general community at Newburg.

Arkansas, giving notice to a Premier Tito appears to be ag leave at once on pain of death. The mob wrecked the Moumon church, and injured members of the congregation.

1924: Death in Mines

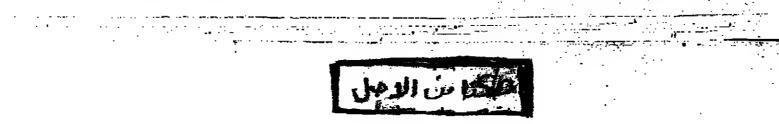
NEW YORK - Arriving immediately after an explosion which killed thirty-seven in a mine in West Frankfort, Illinois. forty men were entombed in the Lancashire mine in Shanktown, Pennsylvania, by an explosion which wrecked both entrances

to the pit. Three bodies have been recovered, and all hope of reaching the other entombed men has been abandoned, as the water in the mine is tising rapidly and the wrecking of the fan has prevented the clearing up of black-damp.

1949: Tito Regime

firmly in power as it was when it was attacked by the Cominformy Ouly a "handful" in the Yugoslav communist ranks have sided with the Cominform; according to the speakers at the congress, where hundreds gave Tito repeated ovations. The same thing was said at the congresses of the other five Yugoslav federated republics which have met at regular in tervals since June to affirm their faith in Marshal Tito in what has developed into a direct contest with the Kremlin

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OPINION/LETTERS

By Frank Rich

Home of the Crybabies

NEW YORK — It was just a year ago that "liberal media."

America's television an But while the right is fond chors dumped the Pope in of lecturing everyone else about "individual responsiington. Almost all you need sibility for its own calamsibility for its own calam-Monica Lewinsky in Washington. Almost all you need to know about what has happened since is that Bill Chatter flow to St. Louis to bask in the sunny glow of the Pope, while his tormentors remained mixed in Washington with Monica.

A cynic might say that the

A cynic might say that the president was exploiting the papal visit to burnish his image. But you could argue that the Pope has more to gain: In a year-end Gallup Poll. Americans named the pres-ident as "most admired" man, reducing the pontiff to

a distant runner-un Where does that leave the high priests of morality who are prosecuting Mr. Clinton for sleazy sex and lies?

game. In a Washington Post can conservatives, earned a 40 percent approval

Barr trash their Senate collonger recognize the nature publisher of Hustler has now publisher of Hustler has now pulled about not an analysis of principles about not are not provided about not be provided about not be published about not be publ Kenneth Starr but of the Republican Congress.

ton's adversaries do not people. argue that Slick Willie, long lament over the death of through some black arts of spin, has stacked the deck.
They cry that the polls are peachment platform. rigged. They will soon, no

ities, whether political (dumping all of Mr. Starr's tuenpurguled porn on the

before a racist organization but lied about it). The Republicans' wnes

are everyone else's fault. Newt Gingrich may be gone, but now more than ever the Republican Party is the party of crybabies. In their who-blew-im-

peachment debate, the Clinton adversaries are even turning on each other rather than accept any culpability for their ill fortunes. The

pulled ahead not only of ciple. But the greatest anger and blame - is directed at the idiotic, craven, mor-Yet even now Mr. Clin- ally bankrupt - American

Over the weekend, Henry



صكرا من الاعل

mal psychologist" to do "a dissertation" on our ethical failings. Andrea Sheldon, whose Traditional Values Coalition cheerleads Republican gay-bashing, declared last week that "the American people are really

messed up."

James Dobson, the party's They are not even in the hard right bashes Republi- most influential religiousright power broker, has degested that "the Founders were right to have a certain distrust of democracy."

> fleshed out this week in the pages of his magazine, The Weekly Standard, by the hnpublic outrage is rapidly be morist P. I. O'Rourke, who politicians actually had childescribes "the American dren at home — or spent any people" as "masses wad time with them — they

BOOKS BOOKS TO THE TOTAL OF THE PROPERTY OF TH

skewered but had won Eliza's heart and year both men were courting a mys-

His contempt is breezily

sail-sized Bermuda shorts, each with a mobile phone in account for the fact that tecn-one ear and a Walkman in age pregnancies, out-of-Pepsi through a straw.

like are "the children." Ever since Mr. Hyde closed his appalling example?
trial summation with a letter In their desperate search from 8-year-old William for a scapegoat for their Summers of Chicago chastising the president for lying, the mantra of the impeach-starting with little William ment brigade has been that the president must be punished to save America's youth, who have been mor-

Perhaps if some of these dling into airports, business would learn that kids do not

tally poisoned by Mr. Clin-

ton's sordid behavior.

Hyde called for an "abnor- offices and churches dressed look to Washington, whether mal psychologist" to do "a in drooping sweats or fuchsia warm-up suits or main- gress, for spiritual role models. If they did, how do we one ear and a Walkman in age pregnancies, out-of-the other and sucking Diet wedlock births, abortions and cocaine use, not to men-The only Americans these tion crime, have all declined American-loathers seem to during the years when the president has been setting his

> Summers. The day after Mr. Hyde read the third grader's letter in the Senate, the boy went on television to say that he liked the president and thought he was "doing a good job" and should not be impeached. The death of outrage, it would seem, must

be nipped in the crib.

## Why Has U.S. Inflation Vanished? More Work Hours, Without Pay

By Thomas Geoghegan

CHICAGO — It is no secret that Americans work harder than the citizens of almost every other industrialized nation: longer hours, less vacation, more stress on the job. At least we are getting paid more money for all this extra work, we tell ourselves.

But are we really? As a labor lawyer, I have recently begun to notice that a lot of Americans are working for nothing. By that I mean ... well, free. Off the books. As in, "This hour

doesn't count, so I don't have to pay you."

I caught my first glimpse of this several years ago during a child labor suit in which I represented teenagers who worked at fast food places on the North Side of Chicago. The

#### MEANWHILE

last hour or so of work - when the restaurants closed, and the employees had to clean up - was often off the clock. Over the last two or three months, I have come across this kind of thing time and again.

At a meeting of laundry workers I attended last autumn, a Latino woman stood up and complained about a new policy at her com-pany: "If you're sick, now they take it out of your vacation." Her hourly wage rose last year — maybe even "smartly," as economists like to say. But that does not mean quite so much if she is now giving her employer an extra week or half a week, free.

That is mild stuff, though, compared with what goes on at a big transport company that I am familiar with. It hires "part-time" supervisors (all with college degrees) and pays them for 25 hours a week. But in fact they sometimes end up working 40 hours, or whatever it takes until their work gets done. "The guys we supervise laugh at us," one of them told me. "They say, 'You're working for less money an hour than we are."

The payoff for employers is even bigger when overtime wages are at stake. The Fair Labor Standards Act, or FLSA, requires that workers be paid time-and-a-half for every hour over 40 that they work in a week.

That rule does not apply, though, to anyone in a professional or managerial job. This explains why you see so many signs these days saying "Assistant manager wanted." Those assistant managers often end up operating the same machines or loading the same trucks as the workers they are "managing."

And in the case of bourly workers who clearly are covered by the labor standards act, plenty of employers simply flout the law. Recent surveys by the Labor Department have found hage numbers of businesses — 60 percent in some industries - violating one or another provision of the act. And these were random surveys. No one was complaining

that he or she was being underpaid. Otherwise, it is hard to get a number on how much stealing is going on. By definition, it is off the books, so economists ignore it when they look at wages.

"Consider this," says a friend of mine, a labor lawyer who specializes in FLSA cases. "We're now a service-sector economy, so almost all the costs are labor costs. It's 90 percent for some businesses. So you don't even have to steal much of your workers' time —

maybe 2 or 3 percent — to make a profit."

Service-sector America steals a little more bit by bit. Turns a profit. The Dow hits new highs. Even business groups admit this. The Employer Policy Foundation did a study in 1996 estimating, "conservatively," that il-legally denied overtime pay amounted to at

least \$19 billion each year.
As a union lawyer, I believe that is a vast underestimate. And it covers only one type of violation. There are many others.

Go anywhere: a supermarket, a nonunion hotel or club, any nursing home. There is a very good chance that the staff is working for nothing some of the time.

In many hotels now, employees work through "break time," but the break time gets deducted from their paychecks anyway. The ruse is, the hotel gives it back if the workers complain individually — but how many dare to do this? Some hotels and clubs even collect tips that their employees never see.

So how come all this labor theft goes on? Because there is no one to stop it.

The unions cannot do much — they now cover 10 percent or less of the private sector. The Labor Department has been weakened by repeated cutbacks over the past 20 years. So no one is keeping an eye on who is being exempted from the labor standards act.

Even when labor lawyers find out about violations and decide to file suit, they face another obstacle. In FLSA cases, it is impossible for them to bring the normal type of class action. The plaintiffs all have to opt in one by one. In places like Chicago, where more than half the factory workers are foreign-born — Russian, Latino, Polish, Filipino that is no easy matter.

With all this free work gushing into the economy every year, it's no wonder wages are rising, without inflation. Why should there be inflation at a higher wage if people at the higher wages are doing more work for less money?

To Alan Greenspan, the absence of inflation is a puzzle. Two years ago, he said there was an "invisible" productivity that no one could see or touch. There is no number, it is not countable, but it is out there. Sage people nodded. Yes, that is why there is no inflation. People are more productive for each hour worked, they have higher skills: "Look at all the assistant managers in those fast food places."

But maybe there is a simpler explanation than Mr. Greenspan's invisible productivity. Out of sight, at every income level, more of us are working "for free."

Mr. Geoghegan, author of "The Secret Lives of Citizens," contributed this comment to The New York Tunes.

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#### LETTERS TO THE EDITOR

Regarding "A Shift Is Under Way to Try to Humanize the World's Commerce" (Opinion, Jan. 25) by E.J.

A False Distinction

Dionne Jr.: Representative Barney Frank's ef-fort to put himself in a category of 'international New Dealers' who stand between the isolationists and the "trickle-down" free traders rests . on a false distinction.

Proposals to introduce "protection" for labor and covironmental rather than though regulation. The real

order to have it

A TRAITOR'S KISS:

Farrar Straus Girouz.

Sheridan, 1751-1816

The Life of Richard Brinsley

By Fintan O'Toole. 519 pages. \$30.

MOST young playwrights scrib-bling at their desks would be de-lighted with a debut like Richard

Sheridan's. Still in his twenties, from

1775 to 1780 he packed the Drury Lane

theater with satiric romps starring such characters as the malicious Lady Sneer-

well, the dramatist Sir Fretful Plagiary.

and the sung Mrs. Malaprop, who would not want her daughter to be a "progeny of learning." But before the clapping stopped, Sheridan walked away from the stage. He had several other correct waiting in the had several

away from the stage. He had several other careers waiting in the wings: as a gentleman, a lover, and a politician.

Sheridan quit the theater, Fintan O'Toole suggests, partly to reject his actor-manager father, Thomas, who markedly favored Richard's older brother Charles and partly to account

brother, Charles, and partly to escape the low social status of the theater. On his own Dublin stage, Thomas had been beaten and hamiliated by rowdy Trinity

College students who claimed that theater folk were not "gentlemen."

Years later Richard, too, encountered

this prejudice, and it almost caused his

when Richard was 8; Thomas taught elocution while Richard went to Har-

row and briefly studied law. Then in 1770 at Bath he fell in love with Eliza-

beth Linley, a beautiful young soprano.
To protect her from the evil designs of cynical aristocrats (remember "Clarissa"!), Richard escorted Eliza to

a convent in France. When they were

brought back, he fought two duels for

her and his honor. He was almost

The family settled in England in 1759

Reviewed by Audrey Foote

standards into trade agreements have difference between the "isolationists" won virtually no support from the emerging-market countries that the proposals are intended to benefit. Is this because these governments know that the true purpose of such proposals. is to raise their cost of doing business and thereby erode their competitive advantage vis a vis America? They also know that the best way to raise their labor and environmental standards is through greater prosperity -brought about in part by free trade -

hand and, by ducling, status as a gen-

writing plays, recycling his own ro-mance in "The Rivals." In the next five

years he made money, contacts and a

reputation. With these assets he moved

Though O Toole is a noted frish jour-nalist and drama critic, hardly a tenth of this book deals with the theatrical career

for which Sheridan is celebrated; more

than half focuses on his intricate in-

volvement in Parliamentary politics.

This ratio indeed matches Sheridan's

life and passions, so all the more credit

to O'Toole for guiding us through this.

London clubs, Sheridan also managed to be taken seriously by liberal Whigs like his hero Charles James Fox. With

their support, in 1780 he entered Par-

liament Like Fox and Burke, he

dazzled as an orator of five-bour

tirades, campaigned hard, worked for his humane beliefs, and bitterly op-

posed the powerful prime minister,

William Pitt. Despite his democratic views and King George's mistrust, he became a close friend of the Prince Regent. This remarkable rise was soon

ruinous personally since, unlike his colleagues, he had the appetite but not

the funds for betting, drinking, car-

riages, and election expenses - or for

gifts for the clever, influential duch-

esses with whom he began to have

In despair the still lovely but fragile Eliza finally took as a lover a handsome

Irish lord, Edward Fitzgerald, had a

child by him and died soon after, at-

tended and deeply mourned by both husband and lover — her death as ro-

Welcomed as a wit in fashionable

exotic material.

flagrant affairs.

Still, he had to make a living for them

'and the "international New Dealers" is that the isolationists tend to be more forthright about their motives. LEE HARRISS ROBERTS. London.

#### 'Autopsy on Democracy'

Regarding "Little-Known Clique of Clinton Foes Kept Jones Case Alive" (Jan 25):

nearly destroyed him.

Jerome Marcus's "low view" of President Bill Clinton is not enough Charte - Bud bie bie geleitet begritet ich.

terious French émigré, Pamela, who

reason to subject the United States to such a risky operation to rid it of what he calls a "deadly cancer," especially when the rest of the world believes America is doing an autopsy on democracy.

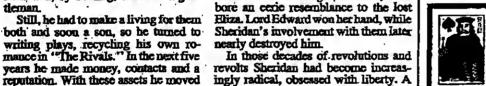
PETER B. MARTIN, Valprionde, France.

Thank God for the Senate trial of William Jefferson Clinton. I was born too late; I missed the Scopes trial. JOHN W. SHRAHAN. Bad Arolsen, Germany.

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he never managed to visit; from the start of his career in politics, he advocated force to uphold Irish rights. "His sup-port for radical reform in Britain and for potentially violent change in Ireland were between them more than enough to make him a traitor," says O'Toole.
Among his co-conspirators was the charismatic Lord Edward Fitzgerald, his dead wife's former lover, now husband of Pamela. Sheridan planned a trip to Ireland to support Fitzgerald in the Rebellion of 1798, then later for his trial Spared that risk by Fitzgerald's death in prison, Sheridan continued to work for their cause in 1799, writing another play, "Pizarro," starring Sarah Siddons, "an andacious defense of treason," and giving speeches in the Commons that referred to Ireland as

These facts support the "Traitor" in O'Toole's title. But considering the amazing candor of Sheridan's conspir-

'my country."

drama, wrote this for The Washington mantic as her courtship. But within a Post.

Financial Investments



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## paradigm of younger son as revolu-tionary? Luckily he was able to ease into it his enthusiasm for the American Revolution was shared by many Whigs. He had fewer allies in his belief in the French Revolution, but Napoleon even-tually disenchanted him. His most passionate, dangerous com-mitment was to Ireland, the homeland

Audrey Foote, a lecturer on Irish

acies, do they justify the Judas "Kiss"?

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#### **BRIDGE**

#### By Alan Truscott

THE granddaddy of all I magazines in the field. The Bridge World, celebrates its 70th birthday this year by giving itself a new look: lar-ger print, slightly larger pages and more of them. For information, write to 717 White Plains Road, Scarsdale, New

Top Hear

The magazine's archives include many gems, some of which appear in a section called Classic Rewind. The diagramed deal shows concept that concept that amuses everyone - except the victim. Nowadays East would be

Nowadays East would be been succeed by the succeed contract. But after the traditional one-spade opening, no

NORTH

A9764 V82 OAQ63 AK02 EAST(D) AAKJ10. PKQ#4 4753 SOUTH 0 K 272 \*Y110#8 Neither side was voluerable. The

game contract is a good bet because even using four-card the low-level cue-bid that spots. He threw the spade promises nothing in the suit, so North plunged wildly into five clubs when his partner than four.

This was before the days of cient anemion to use the spade spots. He threw the spade promises nothing in the suit, so North plunged wildly into five clubs when his partner was, for South had unblocked the seven and the nine. overcalled. This contract appears hopeless, but East fell into a subtle trap. After taking two spade tricks he shifted

> squeezed eventually in the major suits.
> South did not give up. He took the heart ace; cashed the ace and queen of clubs, and led the diamond six to the king. He then led to the club queen, ruffed a spade and played his remaining trump. The ending is shown at right.

South cashed

ace-queen of diamonds and

followed with the three. East suddenly discovered that he

had not been paying suffi-

correctly to the heart king.

which saved him from being OAQ3 WEST

NORTH Q Q 3

"The light was bad." EAST

SOUTH

The spade nine won the

last trick and East resorted to

the time-honored excuse

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Wednesday's 4 P.M. Close
The 2:00 most traded stocks of the day.
Howide prices not reflecting late trades elsewhere

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Disney John Plan 2d Paris 1918 Park

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# Euro Disney Weighs Plan For a 2d Paris Theme Park

PARIS - Euro Disney SCA said Wednesday that it was looking into complementing its Disneyland Paris with a second theme park nearby that would celebrate the world of the cinema and television.

The company gave few details in its statement, but Finance Minister Dominique Strauss-Kahn said he hoped plans for the park would be concluded in the next few days.
"If things go as we hope," he
said, "work could start at the end of

1999 and the site could open at the start of 2002."

He said the second park would represent an investment of 4 billion francs (\$705 million) and would create 5,000 jobs.

The second park could include production studios, Disney Channel studios and dubbing studios as well as a section dedicated to the history of cinema and special effects,

though a company spokeswoman said no plans had been finalized.

A second park in Marne-la-Vallee, east of Paris, had been envisaged in an agreement that Euro Disney concluded in 1987 with the French authorities.

Euro Disney, which is 39 percent owned by Walt Disney Co. and 24 percent by Prince Walid ibn Talal of Saudi Arabia, is counting on higher attendance at its existing park to offset the rising cost of

financing 15 billion francs of debt. But while a second park could attract more tourists and lure back former visitors, it does not address lineering financial problems at Dis-

neyland Paris, analysts said.
"Will banks finance a new park when the first one isn't sorted out?" said Nigel Reed, an analyst at Paribas Capital Markets in London. Euro Disney has "a whole series of hurdles to go through before we change our view on the company," he added. "We remain sellers."

Shares of Euro Disney rose 0.04 curos (4.6 U.S. cents) to 1:12 euros

Disneyland Paris has become Europe's most popular tourist draw, bringing in 12.5 million visitors last (Reuters, Bloomberg)

#### ■ Disney's Profit Drops

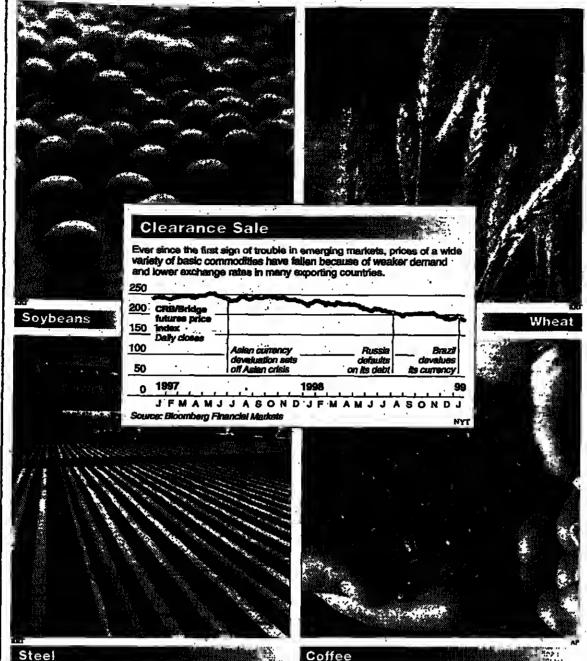
Walt Disney Co. announced that its profit fell 18 percent in its first quarter, The Associated Press reported from Burbank, California. The company's ABC television

unit was hampered by high costs for broadcasting football games and lower ratings for news programs.

Disney earned \$622 million in the

period, which ended Dec. 31, down from \$755 million a year earlier.





## Brazil Crisis Reaches U.S. Farms

#### Rural Economy Feels the Pain as Commodity Prices Slide

By David Barboza

CHICAGO — From a pit on the floor of the Chicago Board of Trade, Steven Brace has been watching eco-nomic trouble in Brazil make prices of wheat and

soybeans slide.
"All commodity prices have been slipping," he said, shouting above futures traders bidding down the long-term prices of a variety of commodities. "We will sell less wheat to Brazil, and they will compete with us on year soybeans; it's that simple."

While the overall U.S. economy remains vibrant, calculations by futures traders such as Mr. Bruce are an indication that the crisis in Brazil is already reverberating in the United States — both positively and

As the value of Brazil's currency, the real, has dropped by more than one-third in the past two weeks, wholesale prices of a broad range of goods, including wheat and soybeans, have fallen 7 percent, according to

key measures of commodity prices. The benchmark Commodities Research Burean/Bridge index reached another low in late trading Wednesday at 187.45 points, down 0.15.

The recent declines come on top of double-digit declines in the past few years. Prices for basic industrial products such as steel have been similarly hit by events

For consumers, the drop in wholesale prices means that inflation — which is lower in many developed countries than it has been in decades — is even more

But economists and retailers say the lower wholesale prices will not necessarily translate into broadly falling prices at the supermarket or the auto showroom.

At the same time, bakers, gaining from lower wheat and flour prices, will probably see fatter profits. And auto manufacturers, who get just modest gains from the falling price of steel, will have a little more margin. 5 Still, even if consumers are not reaping all the benefits of the drop in commodity prices, many economists see the outlook for inflation as extremely favorable. And as

long as most Americans see real pockethook gains gains go further in the absence of inflation — the comments about his expectations for Brazil, entirely happy with the IMF. · U.S. economy should continue to post steady growth this though he reinforced expectations that in-

"You'd have to go back to the 1960s to see this kind of environment," said Patrick Jackman, an economist at the Bureau of Labor Statistics, which calculates the U.S.

consumer price index.
"While lower commodity prices might not generally translate into sharp declines in consumer prices, they translate into more stable prices. And viewing it from the point of view of the consumer, if you find that prices have not gone up, you're usually satisfied."

Of course, commodity prices started to decline well before Brazil stopped defending its currency this month. Financial crises that began more than a year and a half ago, sweeping swept through Asia and Russia, had begun to dry up demand for commodities.

And with steep currency devaluations in countries

such as South Korea, American exports have been competing with cheaper goods, depressing prices still

"Brazil is really reinforcing the slowdown in the global economy," said James Glassman, a senior economist at Chase Securities.

At its simplest, Brazil's decision to devalue its currency means that the country will reduce imports while

See PRICES, Page 12

## Y2K Warning Group Ponders Merits of Low Profile Other groups are already had been lagging in year 2000 headed the working group of roviding country ratings, efforts to work harder and put institutions that developed By Barnaby J. Feder New York Times Service NEW YORK — Fearing that they might inadvertently cause a flight of capital and destabilize some large development of the service of the servi Nations conference in New

**CURRENCY RATES** 

weighing a retreat from plans to publicly rate the readiness of more than 30 nations to avoid major year 2000 com-

puter disruptions.
The Global 2000 Coordinating Group, which includes more than 230 institutions from 46 countries, announced its ratings plan at a United

Cross Rates

of some computers and elec-tronic machinery to correctly read dates after Dec. 31, 1999. Such devices can mal-function by freezing or by last month that the report Devlin, the Citibank delegate spewing out incorrect data.

providing enough information, black.

The year 2000 problem, or Y2K for short, is meand also group's access to central banks, national telephone and tries rated might give the rat-ings extraordinary credibil-

pressure on all countries to the rating system and the make more information about plans to publish it.

their progress public.

Immediately after the andestabilize some large developing countries, a group of those somewhat lacking in raised concerns because of began suggesting that the finternational banks, securiinternational banks, secu ties companies and insurers is in trouble, red, and those not fluence of its members. The create more problems than ternal debate that could be resolved in a private meeting

that began in London on Wednesday. 'I, and a lot of other mem-"I, and a lot of other mem-bers, can see both sides of the those issuing good-faith readshould impel countries that to Global 2000 who has

Bankers familiar with the

debate said that federal reg-But the Global 2000 effort nouncement, though, critics ulators and some major banks aised concerns because of began suggesting that the fi-had raised concerns about capital flight, especially from Latin America. Some banks questioned

whether publicizing the rat-ings might bog the group down in lawsuits because the United States is the only

And officials in countries with bad ratings might be dis-couraged from sharing accurate information.

Some also argued that the ratings had pushed the financial companies too far from Global 2000's main focus: encouraging cooperative efforts to make sure that the financial sector faces minimal disruptions. The group also develops model tests for banks to follow in assessing their own Y2K progress, for example. But those who favor publication are not giving up easily.

"Some people think pub-licity will create panic," said J.P. Rangaswami, a Global 2000 steering committee member from Dresdner Kleinwort Benson, the investment banking arm of Germany's Dresdner Bank. "Others, including me, think

## Brazil Raises Its Rates, **But Currency Still Falls**

BRASILIA -- The government raised interest rates sharply Wednesday to try to shore up Brazil's currency, the real, but the move

failed to stem its precipitous decline. The slide in the currency came after the Senate passed a key austerity measure Trues-day that is expected to save \$2.1 billion a year by reducing pension payments to 300,000 federal retirees.

The measure, which was passed last week by the Chamber of Deputies, was considered an important move to persuade international investors that Brazil was serious about put-

ting its financial house in order.

Nonetheless, the real weakened further, pushing the dollar up as high as 1.90 reals from 1.84 reals Tuesday and bringing its decline to 37 percent since Brazil devalued the currency Jan. 13. The real closed Wed-nesday at 1.88 to the dollar.

The decline came even as the central bank raised overnight interest rates twice Wednesday, to 35.5 percent from 32.5 percent.

Investors are concerned that the government may have to restructure its soaring debt as interest rates rise and the currency weakens. The high rates could also push Brazil into a recession this year, with the economy con-

tracting as much as 5.5 percent, according to J.P. Morgan & Co. That concern has prompted massive capital flight, with almost \$8.1 billion this month alone leaving the country, draining the supply of dollars at commercial banks; in a vicious

cycle, that flight has put further pressure on Against this backdrop, the passage of the pension reform bill gives the government a much-needed boost, showing investors that it can spur Congress into action on crucial eco-

nomic reform measures. The bill now goes to President Fernando Henrique Cardoso, who is expected to sign

The World Bank's president, James Wolfensohn, said Wednesday that Brazil's government would soon have a package of economic reforms that would help stabilize the economy, stem the decline of the real and win support from international lenders.

Mr. Cardoso "has shown significant leadership in putting the package together," Mr. Wolfensohn told reporters at a World Bank conference in Munich. "It would be my expectation that they will soon announce steps that will stabilize the situation." he said.

That should pave the way for continued financial aid from the International Monetary

He declined to make any more detailed

ternational lenders would take steps to ensure

that Brazil's situation did not worsen. "We will not walk away from Brazil," Mr. Wolfensohn said. "Brazil has the inherent strength to solve its situation."

Brazilian officials went to Washington last week to assure the IMF, World Bank and U.S.

officials that the government would meet the targets in the IMF-led program.

Mr. Wolfensohn contrasted financial concerns in Latin America with those in Asia, and he said financial institutions in Latin America were more stable than those in other emerging

"The strength of the structure will allow us to recover more quickly," he said. Mr. Wolfensohn said he was confident that the outflow of Brazil's foreign currency reserves would soon come to a halt. With the real now floating against the dollar, there would be no more need for the Brazilian government to sell dollars in the foreign ex-

change market, he said. "I think the outflow of reserves is coming down now," Mr. Wolfensohn said, adding,

'There's no need to be concerned. (Bloomberg, AP)

## **Summers Urges Scrutiny of IMF**

Compiled by Our Stoff From Disputches

WASHINGTON - The International Monetary Fund, which has come under criticism for its handling of the economic crises in developing nations, must become more accountable for its use of taxpayer money, the deputy U.S. Treasury secretary, Lawrence Summers, said Wednesday.

'An institution wielding as much influence in the global economy as the IMF, and that is underwritten by the world's taxpayers, cannot and must not operate entirely behind closed doors," Mr. Summers said in testimony to a foreign relations subcommittee of the Senate.

The Republican-controlled Congress has criticized some of the financial bailouts that the IMF has organized for countries such as Thailand, South Korea, Indonesia and Brazil, contending that they may have aggravated

problems rather than easing them.

Mr. Summers stressed that the IMF's role was a vital one, saying that without it "the costs of these crises would have been even higher - and the impact on our own economy and markets much more severe."

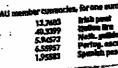
But be added that "to say the IMF is indispensable is not to say we should be

(Reuters, Bloomberg)



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#### **Very briefly:**

 Citigroup Inc., the world's largest financial-services company, plans to raise salaries less frequently and make annual bonuses a bigger component of employees' pay.

• BB&T Corp., the fourth-largest bank in North Carolina, agreed to buy First Citizens Corp., which has 13 banking offices and one mortgage-lending unit in the Atlanta area, for \$125.9 million in stock.

• Baylor Health Care System and Texas Health Resources, the two largest nonprofit hospital chains in north Texas, plan in merge in a \$3.4 billion deal that would create Southwest Health System and control 40 percent of hospital business in the Dallas-Fort Worth area.

· Warner-Lambert Co. acquired Agouron Pharmaceuticals Inc., a biotechnology company based in San Diego, and its successful Viracept protease inhibitor for people infected with the AIDS virus, in a \$2.1 billion stock deal.

 Unocal Corp. said it cut its work force by 6 percent in the fourth quarter as earnings fell 79 percent because of to lower oil and natural-gas prices.

 Microsoft Corp., hoping to advance high-speed Internet access in Europe, will invest \$300 million in the initial public offering of United Pan-Europe Communications NV, a European cable company.

#### **Smurfit-Stone Will Sell Assets**

NEW YORK — Smurfit-Stone Container Corp., the world's largest maker of boxes, said Wednesday that it would sell almost \$1.7 billion of assets in 1999 as part of a plan to reduce its \$6.4 billion of debt.

Attempts to raise cash by selling divisions, closing mills and cutting costs come amid continued weak prices for the brown paper that Smurfit-Stone produces to make cardboard boxes.

## Euro and Yen Slip Against Dollar

Bridge News

NEW YORK - The dollar rose against other major currencies Wednesday amid renewed iitters over financial conditions in Japan and in response to a decision by the European Parliament that may reduce the attractiveness of euro-denominated bonds.

'What you have is buying of dollars against all the major currencies, the yen, the euro and the Swiss franc," said Tomas Jelf, currency analyst at SBC Warburg Dillon Read.

The euro lost ground after the European Parliament's economic affairs committee decided late Tuesday to throw out an amendment to European Union legislation that would have

#### FOREIGN EXCHANGE

exempted euro-denominated bonds from a proposed EU-wide tax.

The currency was further dragged down by a threat of strike action by German metalworkers, which would highlight European unemploy-

In 4 P.M. trading, the euro fell to \$1.1438 from \$1.1563 on Tuesday.

Elsewhere, the dollar rose against the year after the leader of the Liberal Party of Japan, Ichiro Ozawa, said more stimulus steps would be needed before the end of the current fiscal year to prevent the possible collapse of more Japanese financial companies.

The Japanese economy is expected to decline by more than 2 percent in the current year, which ends March 31.

Rumors that several Japanese financial companies may be in trouble weighed on the yen, dealers said. In addition, rumors that Japan's sovereign

debt rating may be downgraded again also helped to strengthen the dollar, dealers said.

The market was caught short dollars at a

time when the hedge funds wanted to invest in dollars," said Alex Ignirra, a trader at Generale

The dollar rose to 115.775 yen from 113.830 yen Tuesday.

The dollar also climbed to 1.4098 Swiss

francs from 1.3893 francs. The pound fell to \$1.6460 from \$1.6598.

# Nasdaq Alerts Investors on Bottlenecks

WASHINGTON - Whether they invest on-line or through a broker, people may lose money from delays in executing trades when the Nasdaq Stock Market is swinging wildly and overburdened, the brokers' group operating the market warned.

Some on-line investors may be unable to get into their accounts. Other people trading the old-fashioned way — through brokers at full-service or discount firms - may have trouble getting through to them by phone if trading volume balloons to more than the electronic Nasdaq market can handle, the group said Tuesday.

Concerned about the recent gyrations in Nasdaq stock prices, NASD Regulation, the self-policing arm of the National Association of Securities Dealers, also suggested that brokerage firms, too, warn in-

stock exchange, has been whipsawed in recent weeks by roller-coaster swings in

extremely heavy trading. In a trading frenzy farms' exposure to 'extraordinary market earlier this month, huge volume over the risk," NASD Regulation said. Internet caused delays in on-line access for several firms, potentially costing investors thousands of dollars.

A group of NASD officials and executives of Wall Street trading firms has been meeting almost weekly since December to discuss the situation and possible solutions. Ken Pasternak, president and chief ex-

ecutive officer of Knight Securities Inc., the biggest Nasdaq trading company, said Tuesday the group was examining possible "structural solutions." He declined to elab-

In bulletins to its member firms and in a posting on its Web site for investors, NASD Regulation cited the recent "turbulent market conditions "

Customers eager to trade Internet stocks vestors of possible losses and aggravation. have flooded their brokers with large num-Nasdaq, the nation's second-largest bers of orders, leading to large imbalances, one of the bulletins to firms noted.

In response, many firms have started to prices of Internet stocks — some of them use procedures designed to keep customers' gaining or losing \$50 or \$60 a share daily in orders flowing while also reducing the

Some Nasdaq trading firms will temporarily discontinue normal automatic executions of trading orders, handling them Backs

in Imports Jums

DSTOCK MARKET

NASD Regulation told the firms:

Their handling of customers' orders must be "fair, consistent and reasonable" and they should tell customers when unusual execution procedures are being used in a volatile market. •In their advertisements or sales bro-

chures, on-line trading firms should not exaggerate the speed and reliability of their services. The on-line fums also should inform investors about the risks of trading over the Internet and the possibility of

delays in trades being executed.

The regulators told investors they should educate themselves about how securities trades are executed, especially during periods of volatile prices and heavy volume and that they should ask plenty of questions before opening an on-line account or placing their first trades.

## Bank's Profit Warning Sends Shares Down

NEW YORK - Stocks fell Wednesday

as First Union dragged bank shares lower after warning that its earnings would not meet analysts' expectations.

"Any time you have an industry leader reporting a negative surprise, that has a ripple effect for the industry," said Michael Manns, a senior portfolio manager for American Express Asset Management.

At the close, the Dow Jones industrial a fourth-quarter loss that was smaller than average was down 124.35 points at 9,200.23. The Standard & Poor's 500-stock index was down 9.14 points at 1,243.17, and the Nasdaq composite index fell 26.24 points to 2,407.17, despite continued strength in Internet stocks.

Declining issues outnumbered advancing ones by a ratio of about 3 to 2 on the New York Stock Exchange.

First Union, the sixth-largest U.S. bank, 821/2 to 3031/2 after reporting that fourthdropped 434 to 52 5/16 after it said higher quarter profit rose more than it had ex- Tuesday.

expenses and an accounting change would cut into its 1999 profit. That sent other bank shares lower.

But Internet stocks continued their astonishing run.

Amazon.com, the No. 1 on-line bookseller, rose 10 17/32 to 125% after reporting

#### U.S. STOCKS

analysts had expected.

Bill Mechan, chief market analyst at the brokerage firm Cantor Fitzgerald in New York, said investors remained bullish on Internet companies, even after many of their shares had doubled or more this year. "All you need is decent earnings and away they go," he said.

An on-line auctioneer, eBay Inc., soared

pected. The company said it would split its stock 3 for 1

Broadcom, the leading maker of cablemodem chips, jumped 151/2 to 145, also after reporting a better-than-expected profit. It announced a 2-for-1 stock split.

Among larger technology companies, Compaq Computer fell 2¼ to 47 despite reporting that fourth-quarter earnings rose a better-than-expected 2.2 percent as it cut costs and sold more profitable machines from Digital Equipment, which it recently

Borders Group fell 31/2 to 171/2 after the bookseller repeated a warning that earnings in the current financial year would miss forecasts because of slow sales.

Prices of Treasury securities were generally flat, with the benchmark 30-year bond down 1/32 point to 101 26/32 and the yield at 5.13 percent, unchanged from

#### PRICES: Fallout From Brazil Tobacco Settlements Slash Philip Morris's Net

NEW YORK -- Philip Morris Cos.,

the world's largest tobacco company, said Wednesday its fourth-quarter net income tumbled 79 percent, to \$274 million, after the company recorded \$2.4 billion in charges related to tobacco litigation settlements.

Excluding one-time charges, Philip. Morris's underlying profit for the quarter rose 9 percent, to \$1.8 billion, matching Wall Street's expectations.

Wednesday, Jan. 27

The rise was led by a 15 percent jump in profit from U.S. tobacco operations, where a 45 percent price increase in November more than offset a 6.2 percent drop in volume.

Stock of Philip Morris, which also makes Kraft food products, fell \$1.8125 to close at \$46.4375. Overall revenue for the quarter rose 7

INTERNATIONAL FUTURES

percent, to \$18.4 billion, with U.S. tobacco revenue up 10 percent at 10.2

November after agreeing to a \$206 billion pact with 46 states to settle health claims related to smoking. The price increase was expected to cut cigarette consumption and orders from distributors. But demand from consumers held steady, and distributors continued to or-(Reuters, Bloomberg) der more. 1144

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Industriale

exporting its own cheaper products such as iron and steel, soybeans, wheat and coffee. That could cause lower com-For the year, revenue for the company rose 3 percent to \$74.4 billion, and its net. modity prices throughout Latin America, forcing U.S. proincome fell 15 percent to \$5.4 billion. U.S. cigarette makers raised prices in ducers to sell their commodities for even less, and in some

cases much less. But while U.S. consumers and many manufacturers have seen benefits from lower commodity prices, many basic; industrial and agriculture-related companies have been suf-fering for months from various international financial crises.

Continued from Page 11

Cargill Inc., the largest U.S. private company and the shipper of much of the world's grain, has lost money in the past two quarters. USX Corp., which operates USX-U.S. Steel-Group has idled one of its blast futnaces in Gary, Indiana, and

laid off contract winkers.

U.S. Steel, which supplies galvanized steel to the antoindustry, usually on long-term contracts, may have to cut its
prices to the price with imports. The price of soybeans, already down 40 percent from two years ago, may have to fall further because of decreased demand in Asia and elsewhere.

Economists say ripples from the slowdown overseas are already causing losses for U.S. farmers. Problems are particularly acute across the northern tier of states. In Illinois, farmers are getting a cash price of just \$2.07 for a bushel of com, down from \$3.9/ a few years ago, and in Idaho, wheat is being sold at \$2.69 a bushel, down from \$5.49 a few years ago. "This industry is not well," said Bill Flory, president of the

National Association of Wheat Growers

Many Midwestern farmers are storing their corn and soy-

beans in lunge grain elevators, hoping that prices will bounce, back. But the Agriculture Department projects that 1999 could be just as weak as 1998, with farm exports expected to decline

Instead of looking ahead to next year's crops, many farmers are retrenching, holding off on fertilizer or other purchases,

depressing merchants' business as well.

"If farmers don't make money, they don't replace their equipment," said Larry Mitchell, an Agriculture Department, spokesman. "It means the local equipment dealer doesn't make the sale. The people who haul the equipment don't have anything to haul. The equipment maker doesn't make the?

anything to hanl. The equipment maker doesn't make the equipment. This all begins to ripple."

Decre & Co., the largest U.S. maker of farm equipment, said in November that it would lay off 2,400 workers, or 7 percent of its work force, after demand for its tractors and combines plummeted. Now, with recession in Brazil, the company's problems are mounting.

"People are cutting back," said Dick Gady, chief economist at ConAgra Inc., the giant food-processing company. "Two-dollar corn doesn't buy them a lot of combines."

Just about any company that makes heavy equipment for the farm is being hurt. Even Caterpillar, the world's largest maker of earth-moving equipment, has seen its profit growth slow. "Cargill, which has more than 80,000 employees in 65 councings, says its once-vibrant grain trade is sagging and reports tries, says its once-vibrant grain trade is sagging and reports weaker demand for food products in developing countries.

# INTEREST RATES

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#### U. S. STOCK MARKET DIARY Wednesday, Jan. 27

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#### EUROPE

# Bonn Backs Down on Exchange-Rate Targets

BONN - Germany backed away Wednesday from its call for "target economic environment that would zones" for exchange rates and said allow for stable exchange rates, al-

In its annual economic outlook, Germany's Finance Ministry said it its efforts on the international level expected the central bank to exert an with the goal of strengthening real over the German economy this

"Under favorable, stability-ori-"Under favorable, stability-ori-ented conditions, monetary policy

The turnaround comes a week
after Finance Minister Oskar Lafoncan, through lower short-term rates, and job creation," the ministry's stability in currency markets.

government expected an interest-rate will not be needed in 1999 because

mark refinancing rate at 3 percent.

The ministry also called for an

among the dollar, curo and yen.

The government will continue economy-boosting" influence economic convergence and thus ex-

taine said a foreign-exchange system positively impact corporate profit for the world's three main currencies expectations and thus investment should be considered to reduce in-

The report did not say whether the look, target currency rates probably According to the economic outcut this year or whether it expected the euro is expected to vary little from the central bank to keep its bench-

it expected the European Central Bank to help lift its economy with an interest-rate cut.

In its annual economic outlook

allow for stable exchange rates, although it said it was not calling for target zones for exchange rates are assumed," the report said. "The among the dollar, euro and yen. dollar could, over the course of the new European currency.'

The idea of currency controls has received a cool reception from other G-7 countries, particularly the United States.

Germany's Finance Ministry also said it expected the country's economy to grow 2 percent this year, slowing from 2.8 percent growth in 1998. It said it expected the unemployment rate to fall less than one percentage point this year. The seasonally adjusted jobless rate was 10.8 percent in December.

Consumer spending is expected to

currencies. If anything, the euro is rise 2.5 percent in 1999 after in-likely to strengthen slightly against the dollar, the government said. domestic economy strengthens and becomes less dependent on the export market. Imports are expected to grow 3.5 percent or 4 percent while export growth slips to between 3 percent and 4 percent, compared with year, actually develop in favor of the 5.9 percent in 1998 and 11.1 percent in 1997.

The government said it was concerned about the prospect of de-flation as the inflation rate continued to decline. "The goal of price stability has been achieved for now and the foreseeable future," the report said. "Declining inflation rates reaching the point of near stability and partially falling individual prices are not the same as deflation but nevertheless a reason for careful monitoring and for appropriate response from all sides.

(Bloomberg, Reuters)

## Usinor Sets Job Cuts And Charge

PARIS - Usinor SA said Wednesday it would take a charge of 1.2 billion French francs (\$211.7 million) against its 1998 income to pay for restructuring that would include "significant" job curs and the sale of a number of its business units.

The three-year plan, approved by the supervisory board Tuesday and due to start July 1, could save the company between 500 million and 1 billion francs a year, said Robert Hudry, Usinor's finance director. He said most of the job cuts would be among white collar staff.

Usinor plans to realign its opcrations by products and regions, creating divisions under the names of subsidiary companies that make products and sell services. For example, it said, "several companies" will be made of its Sollac unit, which makes steel for car doors and

washing machines. Steelmakers are trying to cut costs after economic troubles in Asia cut demand and sent steel prices in Europe down 40 percent in the past year. Using also is restructuring before acquiring a Belgian rival, Cockerill Sambre SA, a move that would create

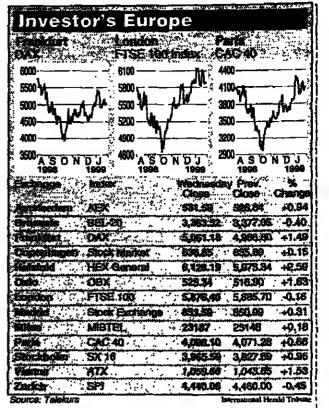
Europe's largest steel company. "This is a very positive devel-poment, although it's very much about enhancing performance in the medium term rather than big changes tomorrow," said Terence Sinclair, an analyst at Salomon Smith Barney in London.

Usinor shares closed at 10.70 euros (\$12.39) on the Paris Bourse, up 48 cents. (Reuters, Bloomberg)

Shenzhen

Bengang Steel China inii Marn Guandg El Pur Kontar Group Shandg Cheant SZ Fangda Shenzhen Sog Taong Kuen

7.20 7.05 1.07 13.30 2.40 1.20 1.80 1.80 1.80 1.80



#### Very briefly:

 Santander SA and Banco Central Hispano SA, which plan to merge this spring, said tight cost controls helped their profit growth meet expectations in 1998. Santander's net profit rose 29 percent, to 142,16 billion pesetas (\$989 million). Banco Central Hispano's net rose 53 percent, to 65.78 billion pesetas.

• AO Svyazinvest of Russia expects a 1998 pretax loss of 4 billion rubles (\$174.3 million) and said it was considering merging this year with Rostelekom, a long-distance carrier. Danone SA's provisional 1998 net income rose 7.1 percent, to 598.1 million euros (\$692.7 million), even though sales fell.

as it reaped the benefits of a reorganization. · Ford-Werke AG, the German unit of Ford Motor Co., plans. to lay off 3,500 workers for nine days in February to bring production of its Fiesta small car in line with demand.

#### Britain's Trade Deficit Swells as Imports Jump

LONDON — Britain's trade deficit widened to £2.18 billion (\$3.62 billion) in November from £1.64 billion in October as imports surged, the Office for National Sta-tistics said Wednesday.

The shortfall reflects the impact of the strong pound, which makes British exports less competitive while making imports rel-atively affordable. The statistics office said total imports rose 3.4 percent and exports declined 0.3 percent in November.

Excluding oil and volatile categories such as aircraft and precious stones, imports rose

3.7 percent. The office cited a surge in the volume of imported electrical appliances, mostly from North America and elsewhere outside the European Union.

## P&G's Russian Plant Buys Land

MOSCOW — The Russian plant of the U.S. consumer-goods maker Procter & Gamble Co.

Andrei Badr, a spokesman for P&G, said Novomoskovskbythim, which makes washing powder and feminine hygiene products for the Russian market, had bought 40.5 hectares (100 acres) underneath the plant late last August for 16 million rubles (\$700,000 at current rates, or \$1.7

million at the end of August). The purchase is unusual in Russia, where the sale of land is still largely illegal. However, the law exclusively allows the sale of land that lies under privatized factories.

This deal was made in accordance with a presidential decree and orders of the governor of the Tula region, about 200 kilometers (125 miles) sonth of Moscow, where the factory is located.

In recent years, Bloomberg News reported.

Russia's trade minister, Georgi Gabuniya, will fly to China on Monday to discuss the plans.

Kuala Lumpur

London

575 10.60 4.02 6.50 2.35 7.95 6.10 2.40 4.38 9.15 7.15 3.16 P&G has a controlling interest in the plant, although Mr. Badr declined to give the exact size of the stake. P&G invested \$50 million over five years in refurbishing the factory after winning a tender for a 14 percent stake.

Mr. Badr said the plant was P&G's only one in

Russia and that further investment in the country would depend on economic conditions. He declined to say why the purchase was made at that time but said the move was part of P&G's

"long-term commitment to the Russian market." ■ Russia Proposes Free-Trade Zones Russia said it may give Chinese companies

customs breaks and proposed setting up free-trade zones on the Chinese-Russian border as it tries to revive commercial links that have withered

WORLD S	TOCK MA	RKETS
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Wednesday, Jan. 27
Prices in local currencies: in euros for EMU cou Briggs Executors, Beriggs Sporis Sporis Coulding Mogenetic Mope KL, Kapongi Augunoti Mogenetic Sk. F. Andrews Gos Public Sk. F. Andrews Gos Public Sk. F. Andrews Gos Public Sk. F. Andrews P. A. Sime Durby Telektom Mod Tenanga YTTL Power **Amsterdam** AEX index: 521.59 Previous: 526.64 ABN-AMRO

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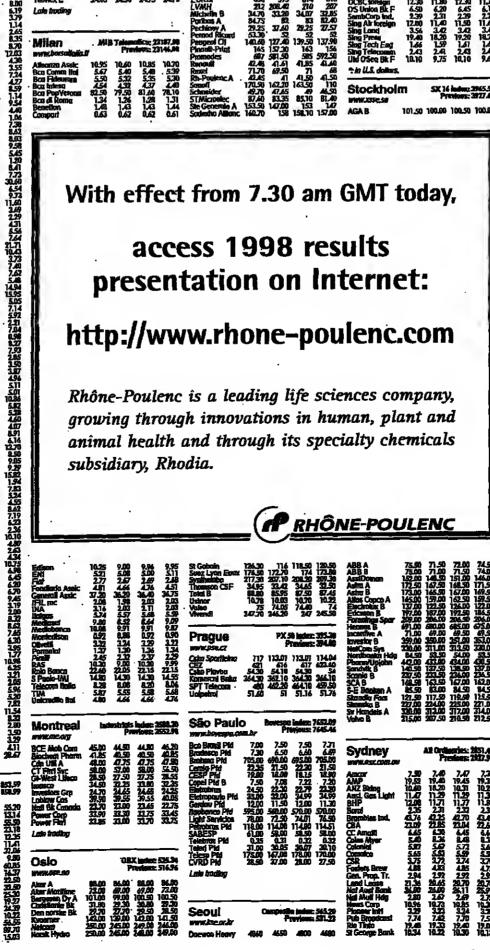
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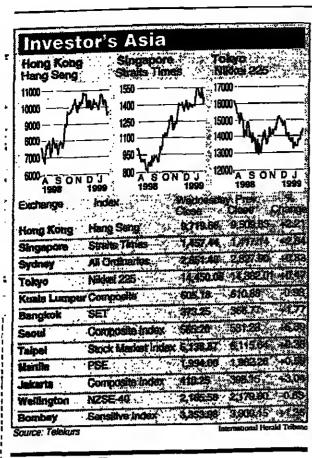
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· Easy Jet Airline Co. of Britain intends to go public next year to finance its expansion. 5.19 8.45 4.86 3.47 10.75 7.14 5.51 0.80 0.82 0.81 2.80 2.80 2.80 1.92 1.95 1.93 3.64 2.70 3.70 2.06 2.08 2.11 3.01 3.06 3.01 1.30 1.30 1.34 0.94 0.94 0.92 a: x 100; b: x 1,000 Toronto **Tel Aviv** Tel Aviv 25 index: 342.11 Previous: 301.40 8300103483154456151145015154561515456151545615557501548615575615456155756157 Zurich
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## **Beijing Tries to Spread Calm**

### Bank Chief Rejects Devaluation and Predicts Growth

tried to caim financial markets Wednesday, reiterating that China did not plan to devalue its

currency and saying that robust economic growth would continue this year. "There are no benefits to devaluation," said

the official, Dai Xianglong, attempting to counter renewed speculation that a devaluation was imminent

'It would hurt foreign investors and increase the foreign debt burden of China, and it is not conducive to the stability of the financial sector,"

Hints of a devaluation in the official China Daily's business weekly edition on Sunday, from which the central bank later distanced itself, sent financial markets into turmoil early this week.

But Mr. Dai said China's sound economy and a favorable balance of payments had laid a solid foundation for keeping the yuan stable.

He said the economy would grow 7 percent this year - down from 7.8 percent in 1988 but still strong, given the weakness of many of China's neighbors.

Last year, China failed to reach its target of 8 whether the government would shut the majority

Complete by the Sufficient Disputes percent growth, mainly because the regional fi-BELITING — The governor of the central bank partial crisis reduced Chinese exports, a tra-

ditional engine of expansion. Yukon Huang, the World Bank's mission chief in China, said the estimate of 7 percent growth was credible.

"A low range would be somewhere in the 4 percent range and a high range might be somewhere around 9, but 7 percent is probably right on

the mark," he said The Hang Seng index of Hong Kong shares rose 2.21 percent, to 9,719.66 points, with the index of

"red chips," or shares of Hong Kong subsidiaries of Chinese companies, up nearly 5 percent. The speech gave some comfort to the market following fears that China might change its currency policy," Raymond Jook, an analyst at SG

Securities, said of Mr. Dai's remarks. On another issue of concern to foreign investors, Mr. Dai confirmed that Chinese anthorities had begun formulating a restructuring plan for the country's remaining 239 international trust and investment companies, many of

which face financial difficulties. But he provided few details, refusing to say



The central bank chief, Dai Xianglong, left, and Zhao Qizheng, a cabinet spokesman, at a news conference Wednesday.

of those companies, as has been speculated. Guangdong International Trust & Investment Corp., or GiTIC, was closed in October and filed for bankruptcy this month.

Separately, the central bank said it was easing a restriction on foreign banks by allowing them to operate in all major cities of China. The central bank did not say when the change would take effect nor to what extent foreign banks would be allowed to do business in yuan.

(AP, Reuters, Bridge News)

## **Tokyo Denies**

**New Forecast** 

TOKYO — Japan's top eco-nomic planner denied reports Wednesday that he had predicted the economy would shrink by even more than expected in the current fiscal year.

The Nihon Keizai Shimbun quoted the official, Taichi Sakaiya, as saying he predicted that Japan's gross domestic product would contract 2.4 percent for the year, which ends in March. The government has predicted a contraction of 2.2

But on Wednesday, Mr. Sakaiya denied that he had changed his outlook. He told the Diet's budget committee that he also stood by the forecast that the Japanese economy would grow 0.5 percent next (AFP, Bloomberg)

## mign Inv Sony Posts Profit, but Sales Weaken

Agence France-Presse TOKYO — Sony Corp. said Wednesday that its profit inched up in the third quarter but only because of a one-time gain. Sales fell as declectronics business ran into trouble

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and the yen surged. "In electronics, intensified price competition, lower sales and the impact of production decreases caused sales and operating income to sig-nificantly decline," Sony said.

Audio electronics and television sales in particularly skidded lower, although digital cameras and video players sold well.

Group pretax profit rose 8.3 percent in the three months to December from a year earlier to hit 232 billion yen (\$2.04 billion), Sony said. Net profit was up 1.8 percent at 112.3 billion yen, but revenue in the quarter slipped 3.2 percent to 1.95 rillion yen.

"Our electronic sales were down over 30 percent in central and south America, and by over 30 percent in China, while sales in eastern Europe, including Russia, were nearly halved," said Masayoshi Morimoto, a Sony vice president.

"The situation in Brazil is deteriorating further, and I am very concerned about prospects in this

Sony was also hurt by weak results in the film division. But Sony was helped by good home video sales, particularly of the film "The Mask of Zorro," and strong music sales, with hit releases from Mariah Carey, Celine Dion and George Michael.

Profits were up, despite the falloff in sales, only because Sony took a gain on securities it moved to a staff retirement trust.

Sony's forecast for the full year, which ends in March, was little changed. Pretax profit will be 360 billion yen, a 21 percent fall from the previous year, it said. Net provi is expected to be 160 billion yen, slightly down from the latest forecast and a 28 percent fall from a year

#### Very briefly:

 Siam Cement PCL, Thailand's largest industrial conglomerate, plans to sell as much as 50 billion baht (\$1.36 billion) of securities in its first bond sale. The debentures will be nonconvertible and will have a maximum maturity of 20 years. Kookmin Bank, South Korea's second-largest commercial

bank, said its profit fell 30 percent last year, to 73.4 billion won (\$62.5 million) from 104.4 billion won in 1997, when bad loans soared in a shrinking economy.

• Japan Tobacco Inc., the nation's only tobacco company, said it would buy Asahi Chemical Industry Co.'s food business for as much as 30 billion yen (\$264 million) on July I as part of a move to broaden its revenue base.

• Bankers Trust Co., the agent for Hanbo Steel Co.'s creditor banks, received an offer of as much as \$650 million from a Wall Street consortium to take over the bankrupt South Korean company.

Li Ka-shing, a Hong Kong tycoon, urged the government to resume land sales, saying a prolonged freeze would further harm the territory's competitiveness.

• Vietnam's industrial output has risen 13.6 percent this month from a year earlier, to 13.601 trillion dong (\$9.8

· Singapore Telecommunications Ltd. is cutting rates on its high-speed data and voice networks by 40 percent, looking to lock in customers before Singapore's phone market opens to Bloomberg, AFP competition next year.

## Singapore Urged to Get Competitive

Bloomberg News

SINGAPORE—Jan Kalff, chairman of ABN-AMRO Bank NV, and
man of ABN-AMRO Bank NV, and

pete effectively with centers like and financial futures exchanges.

Still, some members of the particular man of ABN-AMRO Bank NV, and New York, "Mr. Kalff said. other top industry executives delivered a "blunt" message to Singapore's financial regulators Wednesday: Open up to more foreign com-petition or risk losing out to Hong

long, New York and London. While Singapore aims to surpass Hong Kong as Asia's dominant financial-services center outside Japan, Mr. Kalff and other members of to the Southeast Asian nation to a group advising Singapore's central advise the central bank on keeping bank said the city-state still had a pace with the fast-changing world of

long way to go. In addition to opening its domestic banking industry, Singapore needs to raise the quality of its work force and improve tax incentives to lure more banks and financial services companies to the island, he said.

Singapore is probably better off than many of the surrounding countries but not good enough to com- the merger of the country's stock years.

Still some members of the nanel ABN-AMRO is the Netherlands' largest bank in terms of assets. Its

pore, but it operates just one domestic bank branch there. Maurice Greenberg, chairman of American International Group Inc., and Yoh Kurosawa, chairman of Industrial Bank of Japan, also traveled

banking and finance. invigorate its finance and banking electronic card payments. industry.

The government has freed bil-lions of dollars of public money for

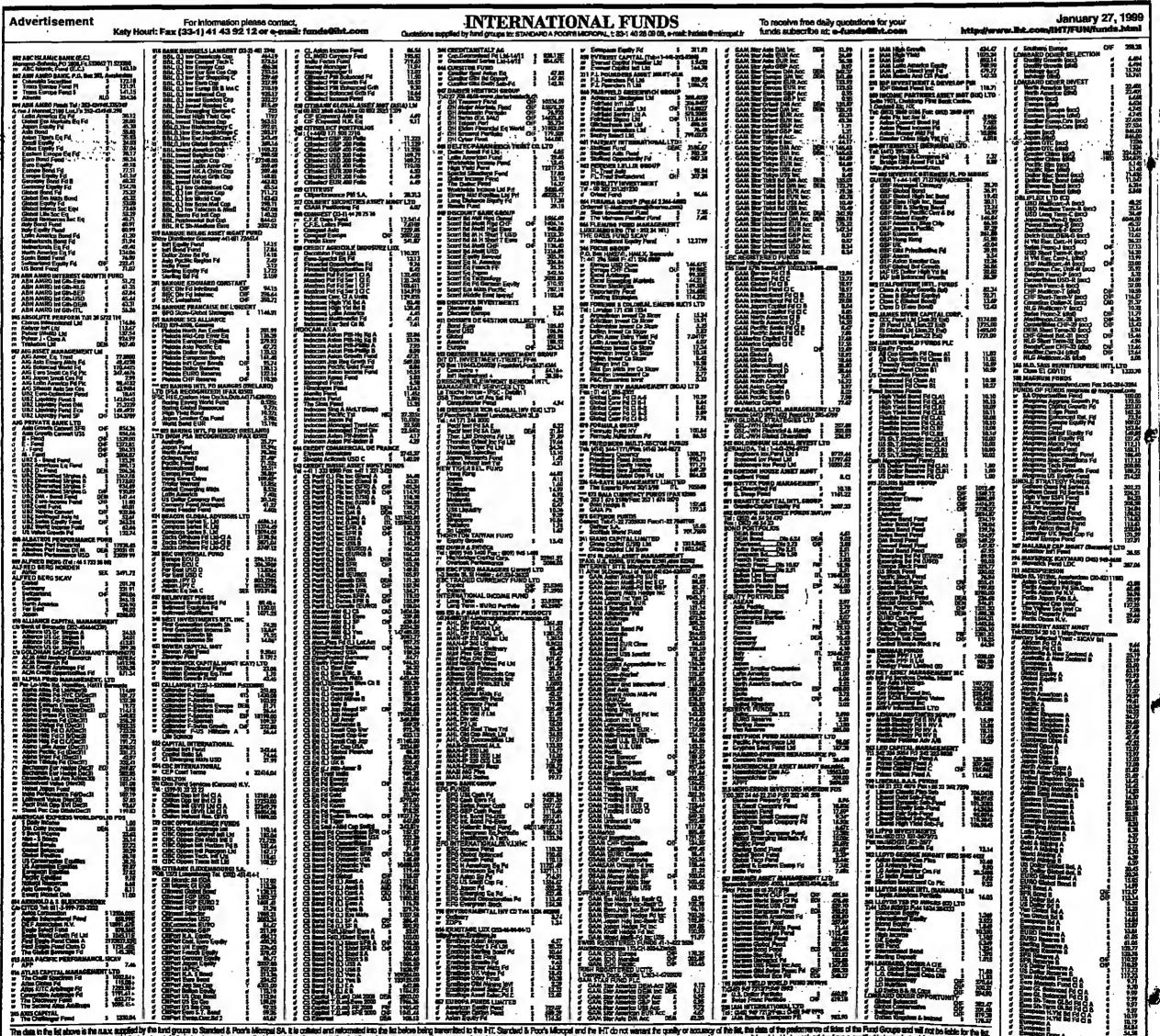
orged Singapore to speed the opening of its financial markets and spend less effort on protecting its Asian beadquarters are in Singadomestic banks from foreign competition, Mr. Kalff said.

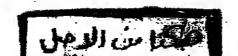
Mr. Kalff said Singapore would eventually create a financial market that was "completely open and free," although he said he did not

expect it to happen soon.

For example, he said, banks such as ABN-AMRO and Citigroup Inc. will eventually be welcomed into the Singapore banks' automated During the past year, Singapore teller networks and similar systems has unveiled a series of measures to that allow retail customers to make

"They are absolutely ready to allow that," he said. "But not im-mediately. They want to allow the management by international fund local banks time to adapt, and that managers. It has also spearheaded will probably take a couple of





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#### INTERNATIONAL INVESTING

# Foreign Investors Are Warily Returning to Asia

ASHINGTON — Most Asian stock markets have been rising again this week, continuing a surge that began last autumn when the U.S. Federal Reserve Board cut interest rates and loosened the flow of ash around the world. Since then, the Singapore and Thai markets have risen 75 percent; Hong Kong and South

Korea, 50 percent. But while stocks are bouncing back, markets are still far from their peaks. Hong Kong's Hang Seng in-dex, for example, closed Wednesday at 9,719.66 points, up 209.83, compared with its high of 16,648 in Au-

And the economic crisis itself isn't over. "The slew of awful economic data is still being presented," Philip Whittome of Guinness Flight Global Asset Management wrote to clients recently. Japan remains mired in malaise, perhaps for the long term, and even an optimist such as Stephen Roach of Morgan Stanley Dean Witter & Co. predicts that the rest of Asia won't be "on the mend" until next year. So, is it safe now for small

Investors to go back into Asia? Nicholas Reitenbach says it is. He is the president of Pinnacle International Management in New York and manager of the Reserve International

• Templeton Asset Management protested to Poland's Securities and

Exchange Commission and the Euro-

pean Bank for Reconstruction and

Development about recent share

deals in a major Polish bank. Tem-

pleton said it did not believe the Pol-

sh commission had adequately pro-

tected minority shareholders when it

allowed Bank Przemysylowo-

Handlowy SA shares to be sold at

above-market prices to Germany's Bayerische HypoVereinsbank in

Japan General Finance Co., an

affiliate of Sumitomo Bank Ltd.,

said it would sell Japan's first euro-

denominated asset-backed security

Friday. Japan General, 5 percent owned by Sumitomo Bank, will sell

**Very briefly:** 

JAMES K. GLASSMAN /ON INVESTING

Equity Fund, and last autumn be warily put a foot in the water. Partly as a result, the fund returned 19.2 percent in 1998, compared with 12.7 percent for the average U.S. foreign-stock fund, according to Lipper Inc. Now, Mr. Reitenbach is thinking

about getting in up to his knees. But his immersion is selective. He is invested in only two Asian countries heavily, considering their size. Soon he will be in a third and perhaps a

But Thomas Mengel disagrees. He is sticking with Europe, and it's hard to disagree with him. His fund, Waddell & Reed International Growth, returned a hefty 31.7 percent last year, and it already is up 6.1 percent

Still, while Mr. Mengel has been impressive, Mr. Reitenbach could be on the cutting edge. Last year he took a large risk. "We got in early into Hong Kong and Singapore," he said.
"We went in very big."

Currently, he has invested 10 percent of the assets he manages — both for Reserve International and for private clients such as university en-dowments, pension funds and rich families - in Hong Kong and 7 Britain and Germany.

about 37 billion yen (\$325 million) of

euro- and dollar-denominated secu-

rities at 38 basis points above the

• The U.S. Securities and Ex-

change Commission's director of

market regulation, Richard Lindsey,

is leaving the government to join a

major Wall Street firm. Mr. Lindsey,

44, will leave in March to become a

senior managing director of Bear, Steams & Co., the SEC announced.

The agency has not yet named a suc-

The European Union's commis-

sioner for internal markets, Mario

Monti, wants to levy a 20 percent

withholding tax on Eurobond interest

payments, part of a plan designed to

European interbank offered rate.

percent in Singapore. Except for a scattering of Japanese companies too cheap to pass up and a tiny stake in Argentina, the rest of his stock hold-

ings are European.
But, he says, "Korea is looking better." He's right about that The bellwether Korea Fund, a closed-end portfolio that trades in dollars on the New York Stock Exchange, has returned 66 percent over the past four

South Korea is gradually responding to pressure from international investors to open its companies to for-"We don't own any Korean stocks now, but we will." He has an eye on Thailand, too.

A portfolio that has 75 percent of its assets in Europe and just 21 per-cent in Asia may not sound daring. But with most U.S. money managers scared to death of anything Asian, Mr. Restenbach has taken a bold step. At the end of 1998, Hong Kong was his fourth-largest holding — only slightly behind the Netherlands, France and Switzerland and ahead of

eliminate tax discrepancies among its 15 member nations. Bankers said that would drive the London-based Eurobond market out of the EU, elim-

inating thousands of jobs. · A former manager of the Piper Jaffray Institutional Government Income Portfolio fund, Worth Brantjen, was barred from the securities industry for five years and ordered to pay \$100,000 in a set-tlement with the U.S. Securities and

Exchange Commission. Mr. Bruntjen, 62, had been accused of violating federal securities laws in connection with investments he made for the fund and disclosures he made about the safety of investing in it from 1992 to at least April 1994, the SEC

(Reuters, Bloomberg, AP)

Still, he makes apologies. His Asian stocks, he says, are pretty bor-ing. He owns HSBC Holdings PLC, a giant banking and insurance presence in Hong Kong. He also owns Hang Seng Bank Ltd., a major Hong Kong financial-services company, Development Bank of Singapore Ltd. and City Developments Ltd., a diversi-

fied Singapore property company.

Next, he will move to more sophisticated investments - smaller stocks that are especially underpriced but, to Mr. Reitenbach, "very risky at

Mr. Reitenbach is not alone in his enthusiasm for Hong Kong and Singapore. Mr. Whittome, who is based in London, says that "Asia is now coming out of recession in a three-phase process." What he calls Phase 1 is well under way, as currencies have stabilized and interest rates have started to fall. The second phase, which some countries have entered, is signaled by a return to profitability, be says, mainly through cost-cutting, and the third phase will be characterized by a return of domestic demand.

Now, Mr. Whittome likes property companies and banks in Hong Kong, Singapore, South Korea and Thailand, but he warns that "the recovery story in 1999 is going to be mixed across the region from country to country and from company to company."

For that reason, picking Asian stocks is not a game for amateurs. Guinness Flight runs four Asia stock funds available in the United States. All were crushed last year, falling between 12 percent and 31 percent.

This is, no doubt, a risky business, but every truly diversified portfolio needs some Asian exposure - either through a broad international fund such as Mr. Reitenbach's or a more concentrated one such as Guinness Flight's Asia Blue Chip or China &

Hong Kong. Frightened still? 'Many investors," Mr. Whittome wrote, "remain on the sidelines waiting to be convinced. By the time they are convinced and the data are there to convince them, it is likely that assets will no longer be cheap and the world will have moved on." Be warned.

E-mail address: jkglassman@aol.com.

## **Small-Cap Bargains**

WASHINGTON - This year, readers of this space will be hearing a lot about small-capitalization stocks, which continue to trade at "unprecedented relative lows" compared with the rest of the market, according to Howard Penney of Morgan Stanley Dean Witter & Co.

Many small-caps are cheap, so you can afford to shop for the best. Mr. Penney's Focus List includes: Administraff Inc., involved in payroll and other human resources services; FactSet Research Systems Inc., on-line database systems for financial firms; Novel Denim Holdings Ltd., a Hong Kong-based supplier of fabric, mainly to Europe, NeoMagic Corp., a maker of memory chips, and Viatel Inc., telecommunications services for small bus

— JAMES K. GLASSMAN

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The Public Purchase Offer on Exor Group shares, executed from December 21, 1998 to Jamary 15, 1999, has been accepted for a number of shares exceeding the minimum level of acceptances required by the Offer (50% of the ordinary capital stock and 50% of the preferred capital stock, respectively). The following shares have been tendered:

- no. 6,623,260 ordinary shares, equal to 63.68% of the ordinary capital stock
- no. 6,372,929 preferred shares, equal to 66.38% of the preferred capital stock - no.12,996,189 total shares, equal to 64.98% of the total capital stock.

The payment of the shares tendered will be made by the Agents in charge of the Offer on Rebruary 9, 1999 pursuant to the conditions of the Offer.

Pollowing this transaction, Giovanni Agnelli e C. S.a.p.az. and its subsidiaries will own 90.9% of the outstanding ordinary capital stock and 87% of the outstanding preferred capital stock of Exor Group.

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## THE WILL TO REBUILD THE NATION

In just five years, Rwanda has achieved a remarkable revival of its economic, political and social fabric.

wanda, the landlocked East African country that was devastated by civil war, genocide and economic col-lapse during the early 1990s, is undergoing a political, social and economic comeback that has surprised international

"The government literally started from scratch five years ago to forge a new country from the ashes of complete devastation," says R. Venkateswaran, World Bank resident representative, as he recounts the economic and social impact of the genocide that resulted in the deaths of an estimated one million people in 1994. "What they have achieved is a remarkable revival of the economy."

The humanitarian situation in Africa's most densely populated nation was further exacerbated in the mid-1990s by the



Moving toward a long-term development program.

return and resettlement of 4 million refugees who had fled the country between 1959 and 1994. During the "post-conflict era," the establishment of a broad-based Government of National Unity and massive international aid have enabled a gradual return to normalcy through comprehensive emergency, rehabilitation, development, social and economic pro- of our reforms will move at grams. Last week, the presidents of Kenya, Tanzania and a pace dictated by our his-Uganda announced that Rwanda would become a member of the East African Cooperation Association later this year.

But rebuilding the nation is not easy. "Rwanda experienced the most intensive slaughter in this blood-filled century." U.S. President Bill Clinton said at the igali Airport last March during a visit to what he called "this beautiful, green, lovely land."

indeed, the four-year civil war and genocide displaced manageable future. about half of the population and resulted in a collapse of government institutions and the destruction of most banks,

schools, hospitals, factories and utilities. "The genocide destroyed the social fabric, human resource base, institutional capacity and economic and social infrastructure of the country." says Vice President and Minister of been fought in Europe, but Defense Major General Paul Kagame. "But we are healing, not sliding backwards."

Production output has increased to 85 percent of prewar capacity, and hundreds of bilateral and multilateral development programs are under way in areas ranging from health and housing to agriculture and education.

Rwanda is also in the midst of a three-year structural adjustment program overseen by the International Monetary Fund, the European Union, the World Bank, the African Development Bank and other international lending organizations. Indeed, there has been a renaissance of sorts in some

"We had to restore a banking network and staff that was almost completely destroyed," says John Madder, general manager of the Commercial Bank of Rwanda. "We installed technology in two years that took 15 years to implement in Belgium.

Sustainable development

The country's current challenge is to move toward a long-term development program that maintains macroeconomic stability, economic competitiveness and export growth while coping with the wide array of social problems and promoting a gradual return to democracy.

"Our optimistic scenario is that Rwanda will continue rebuilding its human resource capacity and move from emergency-type aid to sustainable development programs," says Stephen Browne, the United Nations' resident coordinator in Kigali. "But some factors, like the war in the Congo and coffee prices on export markets, may be beyond the government's control."

Rwanda, which is supporting rebels fighting against the government in the Democratic Republic of Congo, also has to cope with anti-government factions active in the porthwestern part of the country. In addition, the war crimes trials that are under way demand a difficult and delicate balance of national unity, human rights and justice.

Security is paramount, and without it no other reforms can be addressed with any seriousness," says Vice President

Kagame. "We are creating meaningful change, but all tory and the facts on the ground - not external orces or demands."

Yet following the incomparable horror of the genocide, most Rwandans contemplate a difficult but

"Our task is staggering but not impossible," says Aloysie inyumba, the minister for social affairs. "More savage wars have today there is a European I mion."



Major General Paul Kageme, Rwanda's vice president and minister of defense.

U.S. President BIII Clinton with Rwandan President Pasteur to the country in March 1998.

## RESTORING JUSTICE, STABILITY, UNITY AND CONFIDENCE

An interview with President Pasteur Bizimungu.

The Rwandan Government of National Unity, led by years ago.

President Pasteur Bizimungu, is considered stable and "We're picking up the pieces of 33 years of bad government of National Observers. "Security, refugee resettlement, social development, international aid, genocide trials and other important issues seem to be in competent hands," says a high-ranking diplomat at a Western ated a huge hole in our human embassy. "Things are 100 percent better than five years resources development," the

How stable is Rwanda from a social and economic per- only also made poverty a

spective? A number of economic and social indices reflect the stability of Rwanda today. Seventy-five percent of the in- aid." He adds: "The present frastructure has been rebuilt, agricultural production is nearing objective of the Ministry of prewar levels and inflation is down to about 5 percent. We've Finance and Economic Plan- prudence," Mr. Kaberuka restored confidence, as well as justice and security, and people ming is to consolidate recent says, noting that 1999's are working again because they feel that long-lasting unity and economic gains by further reare working again because they feel that long-lasting unity and reconciliation can be achieved.

What type of assistance do you now expect from the international community?

We started at zero five years ago, and substantial aid has come from a large number of countries, multilateral organizations and international financial institutions. We are embark on sustainable grateful to all of the donors who have helped us and are growth optimistic that their assistance will continue because our situation is still extremely difficult and we still need support. Our economic programs, along with the structural measures we have carried out in collaboration with the IMF and World Bank, are indicators that aid has been beneficial to our economy. In addition, we have taken steps in conjunction with donors to ensure aid is used efficiently for the people of Rwanda.

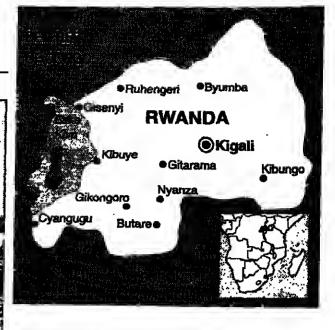
How do you reply to concerns about the status of human

rights and democracy in Rwanda? The genocide was the ultimate violation of human rights. The fact that we have prevented revenge killings and that 4 million refugees have returned to Rwanda seems to indicate that human rights are acceptable here. The divisions caused by genocide are being overcome. People are once again living in now falling," Mr. Kaberuka mixed villages, and war crimes trials are being conducted in a fair and impartial manner. With stability and institutions now in place, we have announced that local elections will take place financed with very tight rein April and launch a participatory democracy that will include all factions of society. We hope this produces a further sentiment of reconciliation.

What role would you like Rwanda to play in this part of In a rare move in an African purely in our unique expe-

We supplied refugees to our neighbors for four decades, and resettling them at home has helped stabilize the region. We look forward to joining the East African Cooperation Association and supporting further regional economic integration when we become a member later this year. The unrest we have had in the northwestern part of Rwanda and our involvement in the Congo are due to a violation of our sovereignty. We are dealing with the threat militarily while giving our full attention to possible diplomatic solutions.

Where would you like the country to be in five years? I hope our people will be even more unified and that there will never again be a period when they are manipulated against each other for their own destruction.



SPONSORED SECTION

#### AT A GLANCE

Official name: Republic of Rwanda Population: 8 million Capital: Kigali Area: 26,338 square kilometers

Currency: Rwanda franc (\$1 = 325 Rwanda francs) GDP (1998): \$1.9 billion GDP Growth (1998): 9 percent Inflation (1998): 7 percent Exports (1998): \$82.1 million Imports (1998): \$326 million Total external debt: \$1.2 billion

e: Rwanda. English and French widely spoken

Main economic activity: Agriculture Main exports: Coffee and tea Per capita Income: \$240 Life expectancy: 42 years mment Web site: www.rwandemb.org

> Sources: World Bank, United Nations. Ministry of Finance and Economic Planning.

## FIRST CHALLENGE: FORGING A FREE-MARKET ECONOMY

Structural changes drive economic development.

nance and economic cerning his 1999 budget and planning, Donald economic priorities. Kaberuka, does not attempt to

ing country. tasks we face." Kaberuka, a British-trained, monitor taxation and fight 48-year-old economist. "It's like building a house. You fix local hotels for charging \$10a a window and the roof starts minute for international teleto leak,"

Mr. Kaberuka, who is why the cost of local gasoline widely credited by the local did not reflect lower crude oil and international community prices. for initiating many of the economic reforms that have helped Rwanda back on the route to growth, routinely mentions the legacies inherited by the Government of

ernment, which ultimately sanctioned genocide and creminister continues. former state-dominated econstructural fact and rendered us too dependent on foreign economic gains by further reducing inflation this year to below 5 percent while attaining a real GDP growth of 8 percent. The government's longer-term objective is to while pursuing poverty reduction, modernizing the rural sector and promoting human resource development. To achieve this, structural changes are forcing the deeply indebted nation to tighten its belt.

"Our social, reconstruction and reintegration needs remain immense, but Rwandans must realize that international generosity is over and that aid levels are says. "The many competing demands for funds have to be

Clear communications country, the minister recently circulated a document to the without any dogma."

wanda's minister of fi- business community con-

In it, he described required camouflage the problems and structural monetary and fiscal pitfalls plaguing his recover- changes, the effort to boost exports, the privatization of "Sometimes I'm scared by government-owned compathe enormous challenges and nies and the formation of a corruption. He even chastised phone calls and wondered

> The government's longer term objective ustainable growth while pursuing poverty reduction, modernizing the rural sector and promoting human resource development

This open policy will hopefully provide an understanding of the programs and priorities necessary for prolonged growth through fiscal \$22 million allocated to development. "Our national recurrent budget must be selffinancing and external borrowing used only to finance development expenditure."

The government has even looked 20 years into the fu-

"To avoid the mistakes of the past we are going beyond stabilization short-term strategies and growth-stimulating policies to define a long-term strategy to 2020, when the population of Rwanda will have doubled." the minister concludes, describing the work of the Rwanda Planning Commission. "Our transition from a lethargic state-controlled system to a liberal economy, in which the state creates the proper social and economic institutions and the right conditions for growth, is rooted rience. We're proceeding

"RWANDA" was produced in its entirety by the Advertising Department of the International Herald Tribune. It was sponsored by the Ministry of Finance and Economic Planning of Rwands. WRITER: Joel Stratte-McClure, based in the South of France and reporting from Kigali. PROGRAM DIRECTOR: Bill Mahder.

### WORKING WITH THE INTERNATIONAL COMMUNITY

One of a visitor's first impressions on arrival in Rwanda is the large number of utility vehicles bearing logos of international, multilateral and bilateral aid organizations. These are the most obvious signs of some \$2 billion in aid financing, about \$800 million of it provided by United Nations agencies. which has been allocated to Rwanda and refugee camps in neighboring countries since 1994.

"You name it and we're doing it!" says Stephen Browne, the United Nations resident coordinator in Kigali as he enumerates an array of UN projects under way in agriculture, education, food security, governance, housing, health, justice and other areas.

Aid projects involve every aspect of life in Rwanda. The African Development Bank, European Union and World Bank, for example, are providing about \$100 million over a three-year period to build Netherlands and United Kingdom, have United Nations Development Program also allocated significant amounts of (UNDP), include 20 donor countries, bilateral aid to specific areas, like the ranging from Australia and Japan to stantly encouraged not to forget the judiciary sector or the construction of schools and clinics.

velopment of economic reform programs in conjunction with the

velopment.

"The generous support of the intergovernment to progress satisfactorily and now concentrate on development programs to improve the productive sec- National priorities tors of the economy," says R. Venkateswaran, the World Bank resident representative, as he details a threeyear Enhanced Structural Adjustment Facility (ESAF) program based upon a framework agreed with the IMF and World Bank last June.

Next week, from Feb. 2 to 5, the government will outline its strategy in education, food security and private sector donors. Representatives at the confer- and projects."

identifying needs

ence, organized in conjunction with the Sweden and Switzerland; 12 multilateral organizations, like the European Union and numerous U.N. agencies; the killing began," U.S. President Bill stitutions have been involved in the deorganizations, such as Oxfam and CARE.

Emergency and humanitarian aid which have been formulated in conjunc- without fear, and full of hope."

mechanisms are gradually being com- tion with the government and local complemented by a more coordinated and munities in these sectors and help eslonger-term approach to austainable de tablish priorities to be supported by international partners," explains Mr. Browne. He notes that representatives national community has enabled the will have an opportunity to visit and assess projects throughout the country.

"The need to improve aid coordination and create an optimal allocation of resources is obvious to all development partners," says Minister of Finance and Economic Planning Donald Kaberuka, whose ministry now has a development committee responsible for screening programs and centralizing projects. Rather than asking for financial pledges, we are trying to articulate national priorities, create a more effective interface with donor agencies and better development at a review meeting with identify, select and monitor programs

Meanwhile, as Rwanda recovers from the ravages of war, international and bilateral donors have been con-We did not act quickly enough after

Clinton admitted during his visit to Kigali. "We cannot change the past, But we can and must do everything in our "We want to identify unmet needs power to help Rwanda build a future

## RWANDA





## GOING PRIVATE: THE WIDE-RANGING DIVESTITURE PROGRAM GATHERS STEAM

Privatization affects sectors ranging from telecommunications and tourism to banking and energy.

reform program developed in conjunction with the international Monetary Fund and the World Bank, is in the midst of a corporate divestiture program launched in 1996.
Privatization is impacting economic sectors ranging from tea, telecommunications and tourism to banking, energy, mining

The government's stake in 64 companies has been put on the block, and to date 20 companies have been sold or Economic efficiency liquidated. Among the most prominent sales, which brought the government about \$50 million in 1998, were 19 Petrorwanda gas service stations to Shell Uganda for \$2.1

In addition, Uganda's Madhvani Group bought the Kabuga Sugar Factory. Netcare International, a division of South Africa's Network Healthcare Holdings, took a 35 percent stake in the Netcare-King Faycal Hospital, Rwanda's firstever significant private health-care facility.

An American entrepreneur has signed a 15-year lease for the Kigembe Fisheries, and a Rwandan hotelier bought the

The Rwandan government, as part of an economic Kibuye Hotel on Lake Kivu. Meanwhile, a study by the World Bank regarding the regulatory framework for the country's telecommunications utility will enable Rwandatel, which is already known as a company that cuts off any subscriber who fails to pay the bill, to be put on the market later this year. A number of public companies, like Air Rwanda and the Caisse d'Epargne de Rwanda, are being liquidated.

"The goal is economic efficiency, which will create a conducive and competitive business environment for both local and foreign investors," says Vianney Shumbusho, national director of the privatization secretariat, noting that any companies interested in purchasing Rwandan firms must submit detailed investment plans. "We want to get the companies working again, create employment and generate future revenue through taxes."

Among the assets currently on the market are the government's stakes in nine tea factories and estates, two coffee the tea, telecommunications, mining and water businesses, estates, the national printing company, two fisheries, three says Mr. Shumbusho.



Tea plantations (top left), fisheries (top right) and hotels (above) are among the enterprises slated for pi

dairy plants, a mining company, a number of hotels and a

brewery.
Utility companies and four commercial banks will be put on the market later this year.

We expect larger multinationals to express an interest in

## BANKING ON GOOD MANAGEMENT

Restructuring and state-of-the-art technology drive progress in the financial sector.

cial sector following the collapse of most institutions and the looting of the central bank during the civil war and genocide.

To accomplish the task, the International Monetary Fund developed a technical assistance program to rebuild and strengthen the National Bank of Rwanda, while plans were implemented to rehabilitate the commercial banking

Doing what it takes

The country had to create credibility monetary and institutional level to get pletely new," Mr. Madder adds. the economy going and assure a continuation of foreign aid," says John Madder, general manager of the Commercial Bank of Rwanda (BCR), one of three other commercial banks operating tive and efficient procurement," and an Auditor General's Office oversees "the procurement budget resources."

wanda is making an effort to re-suscitate its banking and finan-BCR — whose shareholders include Africaine Rwanda (BACAR), the Banque Bruxelles Lambert, Banque Nationale de Paris and Dresdner Bank --had its entire computing, accounting and included extensive independent audits.

branch network destroyed at the end of The banks have recovered to the ex-

> It has since refurbished its headquarters in central Kigali, created a state-ofthe art computer banking network, reopened a number of branches and cational campaign for its employees and

Banque de Kigali and the Banque Rwandaise de Développement (BRD) —

The banks have recovered to the exent that the government is now preparing to sell its stakes in the insti-

In addition, a number of fiscal bodies have been created in an effort to launched a massive training and edu-rectify a financial past replete with stories of mismanagement and cor-

Board was formed to promote "effec-

## STABLE BUSINESS ENVIRONMENT DRAWS INVESTORS

The past 18 months have seen a significant increase in foreign investment in the country.

States, which has had a stake in a tea plantation and processing facility gives 1075. But Department of the United States are the states and processing facility gives 1075. But Department of the United States which has had a stake in a tea plantation and processing facility gives 1075. But Department of the United States which has had a stake in a tea plantation and processing facility gives 1075. facility since 1975. But Rwanda's recent economic recovery has prompted a number of lesser-known multinational firms to actively invest in telecommunications, sugar manufacturing medical are and other sectors during the past 18 months.

MTN Rwandacell, which is 27 percent owned by MTN, a South African mobile telephony company with a pan-African expansion strategy, has successfully brought cellular tele-

phony to the country during the past six months.

"Rwanda has a stable economy and an encouraging growth,"
rate," says MTN Rwandacell's chief executive officer, Francois du Plessis, as he describes the rapid take-off of business amidst a crowd of mobile telephone users at the local American Club. "Our clients range from businessmen, diploma and government officials to taxi drivers and street vendors.

Investing in the future
Not far from the MTN Rwandacell offices in Telecom House on Boulevard de l'Umuganda is the 100-bed Netcare-King

After being destroyed during the genocide, the hospital was reopened by the government but lacked necessary medical. practitioners and staff until Netcare International, a division of South Africa's Network Healthcare Holdings, assumed the management contract and took a 35 percent stake in the

"We wanted to invest in consultation, heath-care facility management and medical expertise rather than in the physical assets of bricks and mortar," explains Netcare's chief ex-ecutive officer, Jack Shevel, noting that \$1 million was spent. on renovating the facility and another \$2 million for new equipment, including a CT scanner, which takes x-ray image of the heart. "We also wanted to empower our African medical colleagues to improve their health-care offerings through transfer of skills."

And just outside Kigali, Uganda's Madhvani Group, which took over a sugar works factory employing 200 people in September 1997, is beginning production this month following the harvest of its first sugarcane crop.

Financial incentives

In an effort to attract increased international business, the Rwanda Investment Promotion Task Force has implemented a number of tax, fiscal and administrative incentive packages, The government, which will introduce a value-added tax next January, has also instituted the necessary reforms to provide uniform rules on market access, protect investments, provide transparency in operations and guarantee the repatriation of

"Many foreign companies were reluctant to invest in Rwanda until they were assured that there was a stable overnment and a solid investment code," says a senior diplomat at one large foreign embassy. "Those conditions now exist, and the degree of uncertainty and risk is much less that in some neighboring nations."

The sectors considered interesting for foreign investor include energy production and conservation, agricultural processing industries, pharmaceutical and chemical industries, building materials, and tourism and telecommunications.

Naturally, some local industries that were highly protected "We lost many of our people during the early 1990s, and 80 percent of our middle and top management is comenia to the entry of the early 1990s, and top management is comenia to the people during the transition to a period of competition.

Naturally, some local industries that were highly protected in the past are having trouble making the transition to a period of competition.

"The key word for local industries is to try to improve efficiency rather than rely on protective tariffs," says Minister of Finance and Economic Planning Donald Kaberuka, noting that the economic recovery has created a boom in the construction field.

## **EDUCATION AT THE** HEAD OF THE CLASS

The recently built headquarters of the Commercial Bank of Rwanda.

Educational goals are linked to development needs.

Iliteracy in Rwanda stands at more than 50 percent, and almost half the population is under 15 years old. Yet there are only 2,000 primary schools, 300 secondary schools, one university and four advanced technical schools.

"Only 30 percent of our teachers today are qualified, we lack sufficient educational materials and there are serious problems with infrastructure and access to schools," says Education Minister Joseph & grangers notice that educational

Education Minister Joseph Karemera, noting that educational inspectors and national examinations were created only last

The ministry, which is committed to attaining Universal Primary Education by 2005, has increased the number of children attending primary school from 63 percent in 1994 to 71 percent this year. But its budget, which has been raised from \$551 million in 1998 to \$630 million, must provide funds for everything from improved teacher training to scholarships everything from improved teacher training to scholarships

The Kigali Institute of Education, a training college with 300 students, opened this month, and 400 students were recently sent to india for technical training in various fields.

A great deal of importance is also being attached to local vocational, technical and scientific education. One of the most encouraging examples is the Kigali Institute of Science, Technology and Management (KIST), which was created almost overnight in a former military barracks in November 1997. KIST, which has 550 students and 40 professors, offers a program with degrees in environmental technologies, civil engineering, electrical engineering, computer science, in-

formation technology and business management.

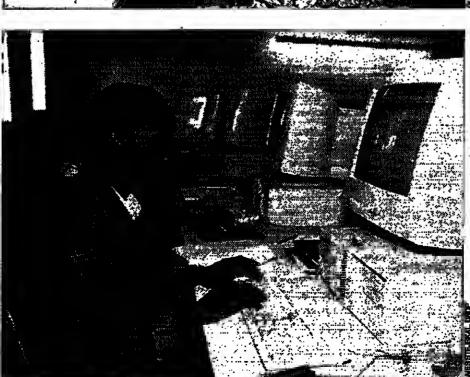
Funded largely by money from the United Nations Development Program, Japan, the Netherlands and the Rwandan Ministry of Education, KIST also offers constantly overbooked evening courses in management, languages and computer science.

"The educated class in this country was specifically targeted during the genocide, and formal education was completely destroyed," says Silas Lwakabamba, the school's rector, pointing to a computer-filled classroom with Internet-connected students. "Our initial objective here is to begin to fill the almost total vacuum that exists in many professionals fields."

Another priority in the country today, of course, is to determine precisely where educated students are required in the future.

"Our educational goals must be closely linked with our development needs," says Mr. Karemera. "We must concentrate on basic and practical courses in agriculture, health care and appropriate technologies so students can take what they learn back to the community."





Reunda's commitment to education is reflected in new resources for primary school education (top) and state of the art computer facilities at the liggal institute of Science, Technology and Managament (above).



FERTILE GROUND FOR GROWTH

Agriculture, already a key economic sector, is becoming more productive.

griculture, which employs more than 90 percent of the labor force and accounts for 37 percent of GDP, remains a key aspect of Rwanda's economy. Last year, food production picked up by more than 11 percent, and the growth helped

contain inflationary pressures.

"Tea and coffee are still the most significant aspect of our agricultural sector and overall economy, says Gerald Zimmwabagabo, minister of state for agri-culture, noting that agrarian growth also fuels exports and increases income for small farmers. "We are making these sectors more competitive through privatization and other incentives, including the removal of the tax on

Increasing output Although there has recently been a steep decline in international coffee prices, the government hopes to increase annual output fourfold, to 60,000 tons, within the next de-

Agricultural production — which also in cludes crops ranging from bananas, cassavas, sweet potatoes, beans and peas to millet and groundmuts - is being improved across the board by new conservation, fertilization, in-tensification, training and management methods. There are programs under way to expand arable surfaces, extend research services, create better distribution methods, enable loads for small-scale farmers and add value to traditional agricultural products.

Garden of Eden

Diversification is also being encouraged. Ma Zirimwabagabo says Rwanda, which is often compared by floriculturists to the Biblic Garden of Eden, could become a center for flower production. He is seeking to broaden the worth of the livestock sector by creating leather industry.

"Location, location" is sometimes part of Rwanda's agricultural allure: "You can't move 15 million tea bushes," says Joseph Wertheur fourfold, to 60,000 tons, within the cade. The tea sector, where exports have risen from 4,000 tons in 1995 to 11,000 tons in 1998, is also being revitalized through prinow produces more than 20 percent of wantzation, an allotment of increased acreage, where we are on that's where we are on that the contraction of the cont where they are, so that's where we are."



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Rwanda's **Gov** gam of comprehend by the tragic genocid has the principal en has been the private and has pur in place owned enterprises. President Bizimungu policy on privatization and Public Investmen powers to liquidate. wholly any public en

On August 25, 19 es be privatized as I additional 18 enters Privatization Program

Tea Factories 3 Mata Tea Factory 4 Kitabi tea Lactory 5 Grakura Tea Factory <sup>0</sup> Shanasha Toa Factory Grant tea Factory 8 Planda lea Factory Rubaya Tea Factory 10 Nyabahu Fea Factory Mulindi lea Factory

## SPONSORED SECTION RWANDA

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### MPROVING QUALITY OF LIFE FOR ALL From health care and education to housing and infrastructure, significant strides have been made.

The civil war and genocide in donors are also developing widespread and wood-saving ovens for a number of hampered the country's social and economic development.

Much of the nation's physical infra-and other survivors of war, massacres structure was destroyed, skilled and edu-and genocide. cated labor disappeared, poverty increased, HIV infection levels were grams — including those dealing with exacerbated and the environment access to education, diversification of suffered considerable damage. Infant rural economic activity, improved agmortality, for example, now stands at ricultural production, and skills training 119 per 1,000 births, higher than the - are longer-term propositions. fraure for the rest of Africa.

of the population lives in poverty, com- gible. pared with an average of 40-50 percent in other African countries, became even cation and health are some of the lowest DOOTET.

organizations has been used to reinteg- the funds or the people." rate refugees, provide basic infrastruc-ture and food relief, restore adminis-of inspired activity in a variety of local trative capacity and help create a judicial system to deal with war crimes trials.

Rwanda not only resulted in a and low-cost housing boosting employmillion deaths and a severe dis- ment, expanding the health care netfor the vast number of orphans, widows ners and other equipment.

"The resources we can put into eduin Africa," says Donald Kaberuka, minister of finance and economic planning, who notes that 93 percent of the coun-

Fortunately, there is a heartening level

Students at the Kigali Institute of Sci-Efforts undertaken by a number of ence, Technology and Management, for government ministries and external example, have built sanitation systems

resettlement estates, and the Netcare-King Faycal Hospital has given the popplacement of the population, but also work, improving educational facilities, ulation access to a state-of-the-art preserving the environment and caring trauma unit, pathology services, scan-

"Our equipment, medical staff and facilities have reduced the need to send patients abroad for serious medical problems," says Dr. Pierre van Rooyen.

**Concerted efforts** 

The Commercial Bank of Rwanda and other banks provide low-cost loans for Already one of the poorest countries in fact, the impact of aid and ecohousing, automobiles and small businesses, while MTN Rwandacell donates in the world, Rwanda, where 70 percent of the population lives in poverty, com-

Kigali.
"Our success depends upon the resolution of social problems by everyone in the country," says Aloysie Inyumba, minister of social affairs. She points out Despite some cases of mismanagement, try's development budget is financed by that the number of orphanages has dethe \$2 billion in aid from international foreign loans and grants. "We don't have clined from 89 to 39 during the past three years as children have been placed in foster homes.

"We have foreigners and locals, private companies and government or-ganizations, and Hutus and Tutsis working together again on many practical levels to find solutions."



Improving quality of the throughout the country is a top priority, being achieved by a combination of international aid and local initiatives.

## **ALL TOGETHER** Now: Making the COUNTRY WORK

Enthusiasm and dedication impress observers.

t is impossible to visit Rwanda today and not witness vivid reminders of the ravages of war as the country continues to come to terms with its horrific past and the human, social, legal and economic impact of the genocide.

Orphanages and resettlement villages are omnipresent. poverty is widespread, prisons are packed with suspects awaiting trial for war crimes, and there are moving genocide

"I have never seen a place more beautiful or a sight more hourible," concluded U.S. Secretary of State Madeleine Albright following a visit to the skull-and-bone-filled genocide memorials at Nyamata and Ntarama, where tens of thousands of Tutsis were killed about an hour's drive from Kigali. "There is no forgetting genocide, and there can be no true re-conciliation without accountability. This will only happen if the peoples of the region — Hutu and Tutsi alike — find a way to live and work together peacefully . . . and establish political and social networks based on inter-ethnic cooperation."

That reconciliation process is under way.

Resilience and determination

"Healing is possible here, and I am impressed with the manner in which the Rwandans are handling all of these issues when the wounds are still so open," says Poul Nielson, the Danish minister for development cooperation, who calls the me-morials "the Dachau of Africa." The country, once better known as "the land of a thousand hills" and renowned for the mountain gorillas living in the Birunga National Park, can today be primarily applauded for its remarkable resilience and determination.

"Many of the returnees here today came back following the enocide because they really want the country to work," says François du Plessis, chief executive officer of MTN Rwandacell. He recalls his amazement on being told that he would lose any chance of obtaining a business license if he tried to bribe government officials.

Giving back to society

The intriguing thing about Rwanda is the pervasive sense of enthusiasm and dedication," adds Paul Murray, head of academics at the Kigali Institute of Science, Technology and Management. "Our students not only want learn but also to take what they learn back to society. They eagerly visit resettlement camps to set up fundamental and practical water or sanitation systems,"

In fact, despite the past, life in Kigali and the countryside is comparatively normal. There was a "Peace Run" last October for the "International Eradication of Poverty Day," and the Commercial Bank of Rwanda, which recently held a family outing on the Kigali golf course for its employees, is planning to launch a cybercafé for customers later this year.

"One of the reasons that Rwanda is working is that everyone here knows they are in the same boat," adds John Madder, general manager of the Commercial Bank of Rwanda, "And they all feel some sort of individual responsibility about whether the boat will sink or float." 

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## **Privatization in Rwanda**

Rwanda's Government of National Unity has embarked on a program of comprehensive economic and social reforms necessitated by the tragic genocide which befell the country in 1994. Recognizing that the principal engine of economic growth in Africa and elsewhere has been the private sector, Rwanda felt it should not be left behind and has put in place an ambitious privatization program of its stateowned enterprises. It started with a declaration by His Excellency President Bizimungu on April 11, 1995, which embodies a general policy on privatization. A year later, on March 11, 1996, a Privatization and Public Investment law was enacted, which gave the government powers to liquidate, hire out, restructure and divest partially or wholly any public enterprise, depending on the legalities of its creation.

On August 25, 1996, the government directed that 46 enterprises be privatized as soon as possible and government shares in an additional 18 enterprises be ceded to the private sector. The Privatization Program started to be implemented in October 1997

and since then, 20 enterprises have been sold, four are under liquidation and the process of selling another five is almost complete.

Privatization in Rwanda, like everywhere else, carries with it a number of challenges and opportunities. The way the players in the field respond to these challenges will determine Rwanda's economic future.

On the other hand, the range of opportunities for investors run the gamut from acquiring a growing business to increasing efficiency through better management of the acquired enterprise.

A crucial underlying assumption is that privatization is not an end in itself, but can be an instrument for making the government more efficient and the economy more productive when it is part of broader social reforms.

Ultimately, the success of privatization depends on developing a fully functioning market economy.

Rwanda will continue its liberal economic policies and our privatization policy will remain consistent, predictable and transparent.

#### The enterprises remaining to be privatized, including the most important, are as follows:

- 1. RWANDATEL: A National Telecommunication Company
- 2. ELECTROGAZ: A National Company for the production, transport and distribution of Water, Electricity and Gas.

#### **Tea Factories**

- 3. Mata Tea Factory
- 4. Kitabi Tea Factory 5. Gisakura Tea Factory
- 6. Shagasha Tea Factory
- 7. Gisovu Tea Factory 8. Pfunda Tea Factory
- 9. Rubaya Tea Factory
- 11. Mulindi Tea Factory
- 10. Nyabihu Tea Factory

#### Other Enterprises

- 12. National -Mining Company (Redemi)
- 13. Hotel Izuba (GISENYI)
- 14. Hotel Akagera (UMUTARA)
- 15. Butare Rice Project
- 16. Bugarama Rice Project 17. Rwamagana Rice Project
- 18. Onatracom (National Bus Company)

#### 19. SOPAB (An animal Feeds Factory)

- 20. SONAFRUITS (A Fruit Juice Bottling
- Company)
- 21. RWANTEXCO (Blankets Manufacturing)
- 22. SORWAL (A Match Company)
- 23. BACAR (A Commercial Bank) 24. BCR (Rwanda Commercial Bank)
- 25. BRD (Rwanda Development Bank)
- 26. SONARWA (National Insurance Company)
- The government has also decided to sell its shares in the following enterprises: 27. B.K. (Banque de Kigali - A Commercial Bank)
  - 28. Tabarwanda (A Tobacco Company)
  - 29. Bralirwa (A Brewery)
  - 30. Etiru (Wheat Factory) 31. Imprisco (Printery)
  - 32. Magerwa (Inland Depot)
  - 33. AMIRWANDA (Travel Company)
  - 34. Rwandex (Coffee Processing & Exporting co)

35. Sorwathe (Tea Company)

For further information on opportunities for privatization, please contact : THE EXECUTIVE SECRETARY

PRIVATISATION SECRETARIAT B.P. 158

FAX: 250-75384 E-MAIL - PVS@RWANDATEL/.RWANDA/COM

KIGALI - RWANDA TEL.: 250-75383 / 75384 MOBILE: 08300008

# S PORTS

# WORLD ROUNDUP Seles Crushes Graf to Prolong Australian Open Streak

#### **Cup Plan Attacked**

SOCCER Gerhard Aigner, the general secretary of European soccer's governing body, said Wednesday that Sepp Blatter, president of the world governing body, had "embarrassed" members of his own executive with a plan for a

biennial World Cup.

Aigner, in Cape Town for a joint meeting of UEFA and the Confederation of African Football, said those at the meeting — including FIFA members who are also on the CAF and UEFA execotives - condemned the release of the plan by Blatter before he had discussed it with his committee.

Paulo Di Canio, a winger who has not played since pushing over referce Paul Alcock in an English Premier League match Sept. 26, was sold to West Ham by Sheffield Wednesday for £2 million (\$3.34 million) Wednesday. Di Canio was hanned for 11 games and went home to Italy. He complained that he got such poor support from his club that he refused to return, running up £200,000 in fines.

#### Different Court for Korda

TENNIS Petr Korda will go to London's High Court on Thursday to try to prevent tennis's ruling body from challenging his lenient punishment for a positive dope test. His lawyers will try to block the International Tennis Federation's decision to challenge the verdict of its own appeals board. (Reuters)

#### Swimming Through Net

swimming The University of Hawaii will compete against North Carolina State in a swim meet Saturday though the teams will be 5,000 miles apart. The Wolfpack will be congeting against Clemson in South Ca. .. . . iawaii will be at its Duke Kahanamoku pool in Honolulu,

Sam Freas, the Hawaii coach, said he wanted some competitioo for his team, which last competed Jan, 19 and is not scheduled again until Feb.12. Finish times will be relayed by e-mail. "It is a distinct disadvantage, swimming in the pool alone against a theoretical op-nonent." he said. (AP)



IN TOUCH - Vanessa Gusmeroli skating Wednesday in the European Championships qualifying round in Prague.

Monica Seles firing back Wednesday on the way to defeating Steffi Graf.

MELBOURNE - For reasons stranger than fiction, the Monica Seles-Steffi Graf rivalry never fulfilled its potentia)

Seles missed two years after being stabbed in the back by a Graf fan in Hamburg. By the time Seles was back, Graf's body had begun breaking down. Now that they are both back, Lindsay Davenport and Martina Hingis are the younger women in charge.

"It's a different level they are playing now," Seles said. When she and Graf walked together into the sunlight at Melbourne Park for Wednesday's quarterfinal at the Anstralian Open, it was only their fourth meeting since 1993. The match, like their

rivalry, was not all it could have been. Seles won, 7-5, 6-1, but that was as much a product of the self-doubt that suddenly and unexpectedly resurfaced in Graf's game as it was a product of Seles' sound and fury from the baseline.
Graf, seeded 10th, served for the

opening set at 5-4 but double-faulted on the first point. After that her service, particularly her first service, fell apart as Seles, shricking with every stroke, won eight games in a row.

Graf stopped that streak at 0-5, but she could not stop the sixth-seeded Seles from improving her remarkable record at the Australian Open to 33-0 and setting up a semifinal with Martina Hingis, the defending champion, Thursday. "I have no idea what happened,"

said Graf, who could not remember losing eight consecutive games at any time in her career. "Obviously, I got tired and nervous, but I don't know why I couldn't change it around. I couldn't focus on the next point."

In the other women's semifinal, Lindsay Davenport, the No. 1 seed from the United States, will face Amelic Mauresmo, an unseeded French 19year-old.

Davenport has been overwhelming in this tournament, her first Grand Slam event since she took over the No. 1 ranking from Hingis. But Hingis was close to overwhelming as she beat Mary Pierce, 6-3, 6-4, in the quarterfinals. Until this match, Pierce, the No. 7 seed who plays for France but seems more. American by the day, was one of the few women with a winning record against Australian Open/CHRISTOPHER CLAREY

a Grand Slam tournament.

As Hingis and Pierce warmed up,
Pierce's unusual fan club — featuring
one longtime supporter with a Mohawk hairstyle and several cross dressing men wearing a version of Pierce's tennis dress — began to make itself heard. Hingis looked up in the stands and grimmed and then dominated the match, countering Pierce's power effectively and attacking her second serve con-sistently well.

Pierce had a cold, and watching Himgis's backhands land in the corners could not have improved her health. The only significant problem the Swiss teenager experienced was closing the match. She squandered three match points on her serve at 5-2 in the second set.

'I played her in San Diego and was up with match points and couldn't make it, and I was like, 'Here we go again,' Hingis said.

Instead, Pierce was the one to go. Hingis will face Seles, who has beaten her twice in the past year, most mem-orably in the French Open semifinals when Hingis, reportedly distracted by a breakup with a boyfriend, was not her typically focused and adaptable self.

'Nobody has beaten Monica at this tournament so far, and I would like to change that record," Hingis said. The men's semifinal between

Thomas Enqvist of Sweden, who was nearly seeded, and Nicolas Lapentti of Ecuador, who was not close to being seeded, will also be played Thursday. The other semifinal will be played Friday and will match another unseeded player, Tommy Haas of Germany, against Yevgeny Kafelnikov of Russia, the No. 10 seed.

Haas beat Vince Spadea of the United States, 7-6 (7-5), 7-5, 6-3, Wednesday. Kafelnikov beat Todd Martin, the 13th seed from the United States, 6-2, 7-6 (7-1), 6-2 in a match that would have been much more difficult if Martin had

not been injured and tired. Martin has had a sore right shoulder and strained abdominal muscles since his five-set opening match against Fernando Meligeni. He did not practice

Hingis. But now their score is tied at on his days off in an attempt to recover 5-5, and Pierce has yet to beat Hingis in as he extended his winning streak to 14 marches before running into the resurgent Russian.

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Kafelnikov is the only men's semifinalist to have played in a Grand Slam semifinal - he won the French Open in 1996. With new order in his private life and a new coach in Larry Stefanki, the man who helped Marcelo Rios reach No. 1, Kafelnikov is playing with renewed purpose and the awareness that despite Enqvist's rare form, his experience makes him the favorite.

"I could not ask for a better op-portunity to win another Slam," he

In June last year, Kafelnikov split with longtime coach and father figure Anatoly Lepeshin. Kafelnikov says the split was amicable, but as he continued to struggle on court, he said he seriously, considered retirement.

Last year, he said, was a "disaster" on the court "I was really struggling with myself mentally and physically; everything came together like thunder in my head."

It was also the year of his marriage and the birth of his daughter. "Last year, I was oot thinking about my job and doing as well as I can," he said. "I was always thinking about something

Seles has been preoccupied for much of the 1990s, first with the injustice and trauma of her stabbing and then with her father and coach Karolyi Seles' long and unsuccessful struggle against can-cer. She is still not as fit as she might be nor as ferociously combative as she was. But she remains a fearsome ballstriker, and she made Graf's one-handed slice backhand look increasingly anachured istic as their match progressed with her

tightly angled forehands crosscourt. 'Thope I can really just stay focused and enjoy it, like I did in the past," Seles

Not all the wounds have healed When the match finished, Graf and Seles exchanged the most cursory of handshakes and no encouraging words. Because of what happened in Hamburg, they never got to become arch-rivals, and they have yet to become friends.

## 4th IOC Member Quits, Others Vow to Fight On

A fourth member of the International Olympic Committee resigned Wednesday in the aftermath of the Salt Lake City bribery scandal.

Meanwhile, other members who were named in an IOC report continued to insist they would oot quit, and African officials protested that they were being singled oot for punishment.

Charles Mukora of Kenya, one of six IOC members suspended Sunday, said Wednesday that he resigned 'too prin-

ciple."
"I was an innocent victim of circumstances," he said. "However, the president of the International Olympic Committee has advised us to tender our resignations in order to put these allegations to rest. I have decided therefore to accept his advice oo principle." An IOC inquiry said Mukora, who is a wealthy man in his own right, received

\$34,650 from the Salt Lake City bid. Mukora said the payments were made in support of "sports development in Kenya" and for "world youth sporting

"The moneys were paid toward the establishment of high altitude training camps in Nanyuki," he said, 'and I bave not used the moneys for my personal use.'

African sports officials have protested because of the nine IOC members who have resigned or been recommended for expulsion, six are Africans.

"Lavish gifts were presented to all IOC members, not just African members," said Robert Magagula, vice president of Swaziland's National Olympic Committee. Jean Claude Ndalla, former sports

minister in Republic of Coogo, said the IOC's purge "smacks of a conspiracy against Africans." Jean-Claude Ganga of Congo, one of the suspended IOC members, said: They want to throw Africans out of

world sport's governing bodies."
Ganga said he would not resign and accused Dick Pound, a Canadian who headed the IOC investigation, of using the corruption scandal to promote his bid to succeed Juan Antonio Samaranch as IOC president.

"All that is part of a struggle for the succession and they are doing everything they can to eliminate those who might campaign against them," Ganga said. "There is no question of my

"If you want to really know what is happening you need to look at bow TV and sponsorship contracts are negoti-ated," he said. "That's where the money is."

Pound negotiates TV rights deals for the IOC. Pound said last week that he had once refused a \$1 million bribe. Lamin Keita, 65, the suspended IOC member from Mali, said he would defend himself and ddi not intend to

'I'm a fighter by nature, not someone who resigns," Keita told the Swiss daily Le Matin. 'T'm going to defend myself. The statutes give us the right."
"The Salt Lake Organizing Com-

mittee had a special fund to assist the national Olympic committees of the poorest countries," Keita said. "Dave Johnson, the vice president of the Salt Lake committee, told me my son was

qualified to benefit from this fund in the form of a grant.
"The only condition was that he leave
the United States at the end of his studies

to become involved voluntarily with the Malian Olympic committee for a year. What father would have refused that?"

His expulsion Sunday was "disproportionate in relation to the error committed, if indeed there was an error." David Sibandze, the Swazi IOC

member who resigned last week, said there was nothing wrong in his son, Sibo, receiving \$100,000 from the University of Utah.

"Universities in the United States give scholarships all the time," he said. He said he resigned from the IOC to protect his country from disgrace. Vitali Smirnov, the president of the Russian Olympic Committee who is under investigation by the IOC panel, said his 10-year-old younger son was suf-

fering the repercussions.
"His best friend at school turned against him, telling my son he wouldn't speak to him any more because his father was a Mafioso," said Smirnov.



more careful in accepting" a sporting rifle as a gift in Salt Lake City. He said he had donated the weapon to a Russian shooting school. "It's often difficult as say no to these people, to turn them down," he said. (AFP, AP, Reuters)

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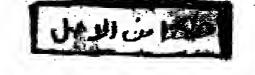
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#### **SPORTS**

# How the Falcons Reversed Field

# Reeves Has Taken Them From the Bottom to a Shot at the Top

By Mark Maske

IAMI — Only 15 months ago, the Atlanta Falcons had a 1-7 record in Dan Reeves's first season as their coach and were maintaining their tradition as one of the National Football League's worst fran-

Just how bad have the Falcons been? Entering this season, they had seven winning seasons in 32 years of existence. They appeared in seven playoff games, and won two. They had not won a playoff game since 1991. They traded their future quarterback, Brett Favre, to Green Bay.

It all seems like ancient history now, though. The Falcons have the league's best record — 22-4 — over the last season and a half. They were 14-2 in the regular season and beat the San Francisco 49ers and Minnesota Vikings in the playoffs. They have 11 straight victories, and with one more — over the Denver Broncos on Sunday — they would go from being one of the most unlikely Soper Bowl participants in his-boxy to being one of the most unlikely Super Bowl champions ever.

We really gained a lot of momentum during the season, 'said Eugene Robinson, a Falcons safety. 'But I think we've surpassed even our wildest dreams in making it to the Super Bowl. We have been playing high-caliber football throughout the year, but making it this far is definitely a dream come true."

How did the Falcons get here from there? Reeves deserves the credit, players say. Reeves, who took the Broncos to three Super Bowls, had just been fired by the New York Giants when the Falcons hired him as their coach and executive vice president in January 1997 and gave him final say over personnel matters. Reeves inherited a team that had gone 3-13 in 1996 and was full of dissension.

"I had some doubts in '96 about hether this organization would ever there," said linebacker Jessie Tuggle, who's been with the Falcons since 1987. "I wasn't even sure I wanted to keep playing. But if it was going to turn around, I wanted to be there to see it. The key was Dan Reeves. Wheo we got him, I knew we had a proven coach and I knew we had a chance to win. But I never thought we would come so far, so fast.'

The cupboard wasn't quite bare when

Reeves arrived. The Falcons had running back Jamal Anderson, wide receiver Ter-ance Mathis, left tackle Bob Whitfield, defensive ends Chuck Smith and Lester Archambean and Tuggle and fellow line-backer Cornelius Bennett. "We had guys with talent," Reeves said. "They'd

st been beaten down by losing.' Still, there was plenty of work to be done, and Reeves made acquiring a quarterback and upgrading his defense

his primary concerns. The Palcons got lucky in their quarterback search. They narrowed their



choices to Elvis Grbac and Chris Chandler, who had lost his starting job with the Houston Oilers, his fifth NFL team. Chandler never had turned his considerable promise into consistent results, in part because he never had been able to stay healthy long enough to do so. But the Falcons went with him because the price was right. He was modestly paid, and the Falcons gave up only fourth- and sixth-round draft picks in the trade.

The rest fell into place. Cornerback

Ray Bochanan left the Indianapolis Colts to sign a four-year, \$13 million contract with the Falcons. In April 1997, Reeves's first draft yielded tight end O.J. Santiago, linebacker Henri Crock-ett and left guard Calvin Collins. Some reclamation projects — defensive tackle Shane Dronett, cornerback Ronnie Bradford and fullback Bob Christian, all free agent signings - worked out better. than the Falcons could have hoped.

'We were brilliant," Reeves said with a wink and a chockle as he recalled how this Super Bowl team was built, "You've got to be real fortunate. Chris Chandler was the key."

The team began the 1997 season with five straight losses, and a 21-12 defeat at Carolina in late October that year dropped Atlanta's record to 1-7.

But the Falcons didn't wilt. They woo

second touchdown pass by Jake Plum-mer. That left them 7-9 for the season.

"The biggest thing was, when we were I-7, we'd lost some close games, but they still believed in what we were doing," Reeves said of his players. 'They still worked hard. They never pointed any fingers. They never complained. Then you start winning some games, and everything changes."

The loss that ended the '97 season

didn't hurt either, Reeves said. "If we'd won that game, we might have believed we were good instead of working hard in the offseason to prove that we were good," Reeves said.

The Falcons signed Robinson, who appeared in the past two Super Bowls with the Green Bay Packers, as a free agent in March and got wide receiver Tony Martin in a trade with the San Diego Chargers in May. And they carried over their winning ways from the second half of last season into this season.

Chandler stayed healthy and became one of the league's more productive quarterbacks. Anderson, in between his 'Dirty Bird" end zone dances, became the NFL's most dominant runner this side of the Broncos' Terrell Davis. The defense became one of the league's hardest-hitting units. And the Falcons had something to prove — that they aren't the Falcons of old.

"I think hungry is a word that has characterized us all year long," Robinson said. "We have an appetite to prove to everyone how good we are."

The Falcons say they aren't done yet. They insist that they're not in Miami simply to be the Broncos' second straight Super Bowl victim. If we play our best, I think we have

good chance of winning," Bennett said. "The Minnesota game showed we can win against anybody."

■ There's More Than Pride in It

Besides wanting to win the Super Bowl because of professional pride, Reeves and his Denver counterpart, Mike Shanahan, have another incentive - cash, The New York Times reported from Miami. If Shanahan wins Soper Bowl

XXXIII, he will earn a \$500,000 bonus, according to people familiar with his contract. Reeves, who like Shanahan is both general manager and coach, is besix of seven games before a 29-26, sea-son-ending loss to Arizona on a final-contract and could also earn that much.



The Islanders' Tommy Salo deflecting a Bruins' shot in one of 25 saves.

## Gretzky, Still in MVP Mode, Sets 'Em Up for the Rangers

The National Hockey League returned from the All-Star break, but Wayne Gretzky kept playing like an MVP.
Gretzky, who was named the most

valuable player in Sunday's All-Star Game in Tampa had three assists —

NHL ROUNDUP

his 37th, 38th and 39th - on his 38th birthday Tuesday night to lead the visiting New York Rangers to a 4-1 victory

over the Washington Capitals.

'It was something that maybe gave
me a little hit of an extra jump-start," Gretzky said of the All-Star weekend. Mike Richter made 34 saves for the Rangers, who were outshot 35-23.

Coyotes 1, Sabres 1 In Buffalo, Nikolai Khabihulin and Dominik Hasek, who both played for the World team in the All-Star game, resumed their goaltending rivalry. Khahibulin made 26 saves for Phoenix while Hasek stopped 24 shots for Buffalo.

Hurricanes 5, Penguine 3 Ray Shep-pard scored two of Carolina's four

second-period goals and the visiting Hurricanes stopped a 12-game winless streak against the Penguins.

Panthers 3, Flyers 3 In Philadelphia, Pavel Bure scored three goals, giving him six in three games since being traded to Florida.

Islanders 4, Bruins 1 Robert Reichel had two goals and an assist and Tommy Salo stopped 25 shots as New York beat visiting Boston.

Devils 4, Seristors 1 Chris Terreri stopped 24 shots as New Jersey beat Ottawa for the first time in four games this season.

Canadions 2, Lightning 1 Martin Rucinsky scored twice in the second period and Jeff Hackett stopped 28 shots as Montreal won in Tampa.

Red Wings 4, Predators 1 Martin Lapointe and Sergei Fedorov both scored in the opening minutes and Chris Osgood stopped 25 shots as visiting Detroit beat Nashville.

Blues 3, Sharks 0 Goaltender Rich Parent gained his first career shutout and Scott Young and Pierre Turgeon scored goals as St. Lonis won in San Jose.

## Pippen Back In Form as **Rockets Beat** San Antonio

The Associated Press Scottie Pippen's debut with the

Houston Rockets was a success. Pippen, who played his first 11 seasons with the Chicago Bulls, had 15 points and 11 rebounds Tuesday night in helping the Houston Rockets to a 106-104 exhibition win over San Antonio.

"I don't feel weird at all," Pippen said. "I'm fitting in comfortably. I feel we did a pretty good joh."

The Rockets gave away all 16,285 seats to the game. Not every seat was filled, but fans clearly were glad to have pro basketball back after a lockout by the owners in a dispute with the players that shortened the season to 50 games starting Feb. 5.

"It was such a long layoff," Pippen said. "It was hard to know what to expect, but I am really glad the fans supported us.

In Toronto, several people were hart as thousands of fans — taking advantage of free admission - tried to enter through a single gate at SkyDome for the Raptors' game against Boston.

The surge of fans created a mini-

stampede that produced four smashed doors and some broken turnstiles. No serious injuries were reported. Fans had begun lining up as early as noon because of the free-ticket offer,

part of the NBA's plan to win back In the game, Ron Mercer scored 25

points, including Boston's first 11, as the Celtics beat the Raptors, 106-88. In Philadelphia, Allen Iverson signed a six-year, \$70.9 million cootract extension with the 76ers. Iversoo, who lost his chance at a \$100

million mega-contract with the NBA's new collective bargaining agreement, signed for oearly the maximum allowed a player of his experience. He decided oot to wait until July 1, when he could have negotiated a seven-year deal with any team for more than \$86 million.

In Vancouver, Shareef Abdur-Rahim and the Grizzlies agreed to a six-year, \$71 millioo extension. The forward could have become a free agent at the end of this season.

#### SCOREBOARD

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NHL STANDINGS 

CENTRAL DIVISION

W L T Pts GF GA
24 20 3 51 139 123
17 17 9 43 114 108
147 17 9 43 105 147 First Period: None. Second Period: M-Ruchsky 10. 2, M-, Ruchasky 11 (Ulanov)
Third Period: T-Hogue 4 (Tacker, Richer)
Shots on yout: M-8-12-9-29, T-14-78-29.
Goallez: M-Hockert. T-Schwab.
Citawa
New Jersey

4—27. Geeffes: P-Khabibufin. B-Hasek.
N.Y. Rungers
1 0 3—4
Washington
First Period: New York, Graves 20
(MacLean, Gratisty) (pp). 2 W-Oates 7
Lluneau, Bondrou Second Period: None.
Third Period: New York Schneider 5
(Gretzky) 4 New York, Sundation 9 (Graves)
(stb. 5. New York, Graves 21 (Gretzky,
Lectch) (en). Shots en goal: New York 9—3
11—23. W-10-16-9—35. Geaffes: New York,
Richter W-Kotzla.

9-10—26. New York 9-8-3—20. Gentles: B-Dufon, New York, Sola. Florida 1 6 2 6—3 Philadelphila 2 6 1 6—2

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First Period: P-Longtow 8 (Yopot) 2, P-Jones 11 (Renberg, Tertyshny) 3, FBurn 4 (Whitney) Second Pariod: None. Third Period: F-Bure 5 (Svehic) (pp). 5, P-Desbardins 9 (Ladras, Thereit) 6, F-, Bure 6 (Svehic), Spacek) Overthine: None. Sherts on goot: F- 5-6-8-0—19, P- 10-5-10-5—30.

Gooties: F-Burko. P-Vaniblesbrouck, Hodolil.

d Period: M- PIESONGO 19 3-3 TUESDAY RESULTS 9 11 (Ulanov) First Period: None. Second Period: Corolina. Sheppard 16 (Primeou, Kror) 2. T. 14-7-9-29. Carolina. Sheppard 17 (O'Neill) 4. Carolina. Sheppard 17 (O'Neill) 4. Carolina. Top 25 Carolina. Sheppard 17 (O'Neill) 4. Carolina. No. 19. Alianotobia (13-0) def. No. 20 Indicar (16-7) 90-83. OT.

Rankiem 4. (sh.), 7, P-Miller 4. (Slear, Hatcher) 12:39. 8, P-Kasparallis 1 (Werenka, Jago) Shets on goad: Carolina 6-11-6—22. P-13-10-12-35. Genties: Carolina. Irbs. P-

Timonen) (pp). Second Period: D-Kozlov 10 (GM, Lartonov) Third Period: D-Murphy 8, (en). Shots on goal: D-15-8-10--33. Nashville 8-9-9-26. Goallos: D-Osgood. Nashville,

Young 8 (Yoke, Compbell) (pp). 2 S.L.-Turgeon 12 (Demiira, Person) Taird Period: S.L.-Conroy 6, (en). Shets on gook S.L.- 12-13-11—36. S.L.- 3-8-9—20. Missed Penalty

BASKETBALL U.S. COLLEGE SCORES TUESDAY RESULTS

WOMEN

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WOMEN'S SENGLES
QUARTER-MALS
(fing Hingls (2), Switzerland, def. Maxy
) (7), France, 6-3, 6-4. Monica Seles (6), Sarasata, Fia., def. Graf (10), Germany, 7-5, 6-1.

WOMER'S BOUMER
QUARTERFMALS
Lindsoy Dovernoot U.S. and Natushq
Zvermu (1), Belans, def. Yayuk Bosoki, Indonesia, and Amelie Mauresma. Fr. 6-2 6-3.

SPARTERIALS

Martina Hingls, Switz, and Anna Koumi-ova (3), Rus, def. Lisa Raymond, U.S., and Rennae Stubbs (2), Australia, 6-3, 5-7, 6-4. MENU'S STREETS

QUANTERFINALS ormmy Hoes, Germany, def. Vince des, U.S. 7-6 (7-5), 7-5, 6-3. Yevpany Kafelnikov (10), Russia, def. Todd Martin (15), U.S. 6-2, 7-6 (7-1), 6-2. QUARTERFINALS

Ellis Ferreira, S. Atrica, and Rick Leach (C), U.S., def. Patrick Galbraith, U.S., and Paul Haurheis (6), Netherlands, 7-5, 6-2, 6-4.
Jonas Bjorkman, Sweden, and Patrick
Rafter (5), Australia, def. Gustavo Kuerten,
Brazil and Nicolas Lopentii, Ecquardar,

MIXTO DOUBLES South Africa del David Macpherson Rachel McQuillan, Australia, 6-4, 6-4. Max Mirayl, Belorus, and Serena Williams

6-7 (5-7), 7-5, 6-4.

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NATIONAL BASKETBALL ASSOCIATION
ATLANTA—Re-Signed F Tyrone Corbin.
CHARLOTTE—Signed F Clyck Person.
SOLDEN STATE—Released F Tony Farmer and G Jeff Grayer. ord.axpo-Signed G Doug Overlon. Walved

OREEN BAY-Re-sloned She

SAN FRANCISCO-Signed DB Corey Hill. nlor vice president and John Dorsey director of player personnel.

RATIONAL HOCKEY LEAGUE
FLORIDA—Recoiled RW Mark Partish from
New Haven, AHL NEW JERSEY-Signed RW Carlyle Levels to

HILADELPHIA-Traded D Sergei Kärnen-

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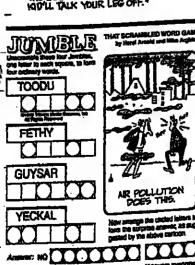
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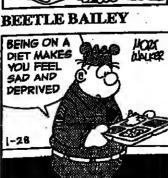


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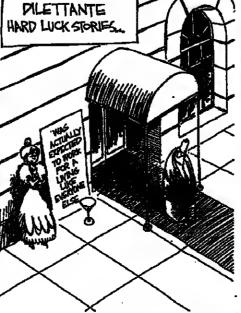








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## Impartially Speaking

NEW YORK — Like all something — doesn't allow us to throw out the commanderwatching the Senate hearings in-chief with the bath water. concerning President Bill Clinton with awe and excite- at the moment is that they are

great is that 100 senators have been able to sit as "impartial" and urors judge the president on merits of the case. Forty-five are for acquit-

the Clinton,

and 55 are for hanging him. Since they have been sitting on Democraoc and Re- chamber that he was being publican benches, not one has tried for high crimes and misbudged from his party's line. To do so would be political suicide.

One senses, without judging them, that the Republicans have not persuaded the American people that Clinton Since I must be dragged down Pennsylvania Avenue in chains by a horse.

ident only because it is their swom duty. The Democrats all admit Clinton did a dast-ardly thing, and one that no and everyone is agreed he did The image of Republicans

ment. What makes America a group of grumpy old men.
This came about when America watched the president give his State of the Union speech. Every time the cameras panned to the Republicans they looked as if they were doing a Preparation H commercial.

No one knows the reason they looked so unhappy, except that Clinton was winning the hearts and minds of the American people in the same demeanors.

There was no doubt that they were in pain, even more without so than when the polls in favor of Clintoo came out the

Since I am not one of the 100 impartial jurors I am oot in a position to judge whether Clintoo should lose his job. The Republicans maintain But what makes the hearings they are crucifying the presson enjoyable is that there is no meanness in the proceedings.

The senators just want to serve their country, and it doeso't matter if they take the one can condone. At the same Democrace or the Republitime, what the president did - can side, as long as they doo't vote their convictions.

#### Saint-Exupery Bracelet Ruled a Fake The Associated Press

PARIS — A silver identification bracelet dredged from the Mediterranean and thought to have belonged in the author Antoine de Saint-Exupery is a fake, a magazine reports.
Saint-Exupery vanished in his warplane on July 31, 1944,

near the French coast of the Mediterranean while on an Allied mission. Last September, a French fisherman netted a rusty bracelet inscribed with the names of Saint-Exupery's wife and his publishers, leading searchers to believe that the wreckage of his plan was nearby.

But the monthly Science and Life, to be published Thursday, stressed the bracelet's "state of conservation and freshness" and said that if it had been in sea water for more than 50 years. it would have been covered with a crist of silver chloride.

## American in Berlin Looks Forward and Back

By Roger Cohen New York Times Service

BERLIN — W. Michael Blu-menthal has a room with a typically disjointed Berlin view. In the foreground, the gracious 18th-cenmry dome of the German Cathedrai, the work of an imperial power that ended badly. In the back-ground, a maze of cranes, symbols of this city's latest stab at inventing a glorious future.

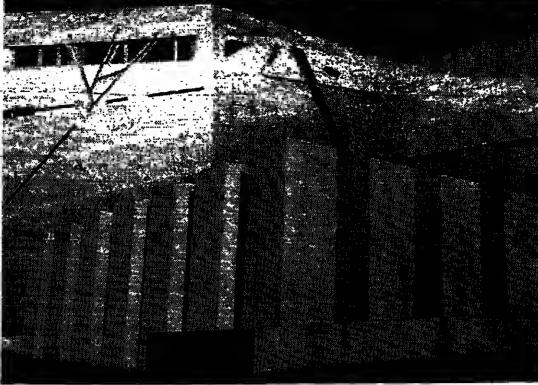
Past and future are everywhere in this town, where museums and vast construction sites abut each other awkwardly, but few people bear as onerous a responsibility in trying to reconcile them as this 73-year-old American, whose life has come full circle to place him back in the city from which Hitler drove him. Blumenthal accepted a symbolic

key to Berlin's new Jewish Museum from a city official on Monday in a ceremony marking the building's completion. Designed by the Amer-ican architect Daniel Libeskind, the museum amounts to an architectural sculpture whose disorienting form and towering empty spaces capture the vertiginous pinnacles and voids of Jewish life in Germany and of

The difficult task of filling this building in a way that tells the story of the 2,000-year Jewish presence in Germany now falls to Blumenthal, the museum's director. He was a secretary of the Treasury under President Jimmy Carter and is a retired chief executive of the computer company Unisys, but his qualifications for this arduous aesthetic undertaking are by no means

But in Blumenthal exist many of the tensions that this city and its new museum must struggle to resolve. In this sense, he is a natural occupant of a huilding where it is very hard to draw a straight line from one point to another.

Blumenthal's internal grappling memories of a sunny early childhood in Berlin, the Nazi cataclysm that took many relatives, success in brings resentments? his adopted American home and an



The Jewish Museum in Berlin, designed by the American architect Daniel Libeskind.

Blumenthal is working closely

is merely one version of the many former buildings of Hitler's Reich dislocated stories that make it so difficult for Berliners to link past istries once again, the question is and future. istries once again, the question is endlessly posed by the silhouetted and future.

People here often say to me, 'You are really a Berliner,' and of remembered in a way that secures course I could be German if I and solidifies the future? wanted," Blumenthal said. "But I el very strongly about the United States, which has been very good to me over 50 years, and I'd like to borrow my adopted country's message of building bridges.

What really concerns me is ish American businessman who whether remembrance can be fled Berlin in 1939, who passed brought to the point where there is the war years in Shanghai and who harmony, or at least understanding, arrived penniless in the United or will each side, Germans and States in 1947. Jews, remember in a way

rings resentments?"

with Shaike Weinberg, the first dithat their own history was linked to
rector of the Holocaust Memorial
a flowering Jewish intellectual,

unexpected desire to return and resolve some unfinished business — where the Berlin wall once stood Museum in Washington, oo what and a new city is being born, in the he hopes will be a compelling narrative of the rich Jewish presence in Germany that was shattered by now set to become federal min-Hitler. The intention is not to show a host of Jewish artifacts, however cranes: How should the past be splendid, but to tell a story.

The last Jewish Museum in Berlin was opened on Jan. 24, 1933, The question is there for former just six days before Hitler came to East Germans abruptly released power. It did not survive long. from the confines of communism Since then, the German view of into a Western world that has Jews, who oow oumber about 80,000 in Germany, compared with a prewar total of 500,000, has sometimes been less than welcoming, just as it is there for this Jewinevitably come to be filtered through the overwhelming prism of the Holocaust.
"I do not want young Germans

to view Jews solely as victims," Blumenthal said. "I want to show

professional and cultural presence for many years. I want to insure that Jews are seen as what they once were here: citizens."

In this task, the museum director faces an obvious danger. The building — fractured, destabilizing, troubling — may overwhelm any exhibit with the force of a message that is in many ways dark. Another danger, now looming, is that Blumenthal may be overwhelmed by the sheer scale of what he has taken on.

At the same time as the Jewish Museum develops - it will be open to the public from next month but will oot contain any exhibits until the end of next year - another enormous project about remembrance is supposed to take form. This is the Holocaust Memorial, next to the Brandenburg Gate, and under proposals made this month, Blumenthal would oversee this project too. For him, the distinction between the museum and the memorial is clear. The former will tell a history of the Jews; the latter - a vast field of stones; a 65-foot-high wall of books and a research center - will be a place of remembrance and reflection.

But already the mayor of Berlin, Eberhard Diepgen, has objected, saying the latest plans for the me-morial "raise more questions than they answer." A prominent Christian Democratic politician, Uwe Lehmann-Brauns, said that a new design for the memorial by the New York architect Peter Eisenman was "repulsively functional." And some newspapers have begun to ask why the Jewish Museum and the proposed Holocaust Memorial are both designed and mo by Amer-

'The challenge is enormous,' Blumenthal conceded. "The German thirst to be 'normal' again is strong. I often hear from Germans that enough is enough and, in some ways, I understand. But the enormity of what happened de-mands that, even at this late hour, we find the right symbols of remembrance.



THE Watergate apartment where A Monica Lewinsky had phooe sex with the president and stored ber now famous blue dress has been bought by President Bill Clintoo's former rival, Bob Dole. The Chicago Tribune reported Wednesday that Dole, who lost the presidential race to Clinton in 1996, bought the two-bedroom apartment adjoining his own and plans to knock down a wall separating them. It was at the Watergate that Lewinsky described the affair in lengthy telephone calls with Linda Tripp. Lewinsky had lived in the apartment for a time with her mother.

Brad Pitt has been granted a temporary restraining order against a tecu-ager accused of breaking into his home in the Los Angeles area and trying on his

**PEOPLE** dow of Pitt's home on Jan. 7, police said, and a caretaker found her wearing Pitt's

clothes and sleeping in a bedroom.

The manservant of Prince Charles, was charged with drunken driving after a crash that left one person injured, police said .Wednesday. Bernard Flannery

crashed a car belonging to Charles, about two weeks ago. Police said that the driver of the other car suffered leg injuries and that both vehicles were severely damaged. Flannery will appear in court on Feb. 3.

One more artifact for his medical mu-

## Hughes Wins Whitbread Posthumously

ONDON — The British poet Ted Hughes, who died last year, has become the first writer to win the Whitbread award twice and the first to win it consecutively and posthumously.

"Birthday Letters," which for the first time revealed his feelings after the suicide of his first wife, the poet Sylvia Plath, 35 years ago, was declared the winner of the £21,000 (about \$35,000) prize. He won the prize in 1998 for his

seum: Michael Jackson broke his wrist. Now he really has to wear something on his hand — a white, bandagelike wrist corrector. A spokesman said the mjury, whose origin was not disclosed, would not hamper the Gloved One's activities.

"Shakespeare in Love" led movie

nominees for the Fifth Annual Screen Actors Guild Awards, which will be presented on March 7. Nominees in 13. presented on March 7. Nominees in 13 movie and TV categories were selected by a committee of 4,200 randomly selected SAG members. All 95,000 active members may vote for winners. Nommembers may vote for winners. Noninated for best actor were: Roberto Beinated for best actor were: Roberto Be-oigni, "Life is Beautiful"; Joseph Fiennes, "Shakespeare in Love"; Tom Hanks, "Saving Private Ryan"; Ian McKellen, "Gods and Monsters," and Nick Nolte, "Affliction." The best actress cominces are Cate Blanchett, "Elizabeth"; Jane Horrocks, "Little Voice"; Gwyneth Paltrow, "Shakespeare in Love"; Meryl Streep, "One True Thing," and Emily Watson, "Hil-ary and Jackie." Between the estimate Al-



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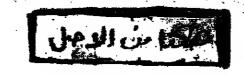
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